

Agriculture and Agri-Food Canada

2006-2007

Departmental Performance Report



Agriculture and
Agri-Food Canada

Agriculture et
Agroalimentaire Canada

Canada[▲]

HOW TO READ THIS REPORT

This Departmental Performance Report presents results of Agriculture and Agri-Food Canada's program activities during the fiscal year 2006-2007 against commitments stated in its 2006-2007 Report on Plans and Priorities. The report's structure is as follows:


Section I, Departmental Overview, contains an introductory message from the Minister of Agriculture and Agri-Food. The message summarizes the department's performance. This section also contains: summaries of the department's vision, mandate and strategic outcomes, and benefits accruing to Canadians from its activities; links between the department's strategic outcomes and the Government of Canada's outcomes; highlights of performance accomplishments by program activities that contribute towards ongoing departmental priorities; and discussion of the management framework that the department uses to deliver results.

Section II, Analysis of Performance by Strategic Outcome, provides detailed analysis of performance by the department's three strategic outcomes: *Security of the Food System*, *Health of the Environment* and *Innovation for Growth*. The section also describes results of the Rural Secretariat and the Co-operatives Secretariat and the two agencies that report to Parliament through the department: the Canadian Pari-Mutuel Agency and the National Farm Products Council.

Section III, Supplementary Information, contains Financial Tables, Horizontal Initiatives Information, Key Government-wide Themes, Statutory Annual Reports, and Parliamentary Committee Reports and audits and evaluations that apply to the work of the department during the reporting year.

Section IV, Other Items of Interest, includes the portfolio's organizational chart and contacts, and Legislation and Acts administered by the Minister of Agriculture and Agri-Food and other agencies in the portfolio. The section has an appendix providing links to electronic resources for further information.

Due to rounding, figures may not add exactly to totals shown.

In our continuing effort to provide Canadians with on-line access to information and services, we are including web links to more information and highlights. These links are indicated by .

We are committed to continuous improvement in our reporting. We therefore welcome receiving your comments on this report. Please contact us at:

By Mail:
Strategic Management
Corporate Management Branch
Agriculture and Agri-Food Canada
Sir John Carling Building
Floor 8, Room 818
930 Carling Avenue,
Ottawa, Ontario, K1A 0C5

By Fax:
613-759-6729

By Email:
chadwicks@agr.gc.ca

Table of Contents

SECTION I: Departmental Overview	1
Message from the Minister	1
Management Representation Statement	3
Summary Information	4
Vision	4
Mandate	4
The Agriculture and Agri-Food Portfolio	4
Benefits for Canadians	5
How We Report	5
AAFC's Program Activity Architecture	6
Changes in AAFC's PAA Since the 2005-06 DPR	7
Total Financial Resources	7
Total Human Resources	7
Alignment with Government of Canada Outcomes	10
Ongoing Departmental Priorities by Program Activity Architecture	14
SECTION II: Analysis of Performance by Strategic Outcome	27
Security of the Food System	28
Business Risk Management	28
Food Safety and Food Quality	34
Markets and International	40
National Farm Products Council	47

Health of the Environment **49**
 Environment..... 49

Innovation for Growth **60**
 Innovation and Renewal 60
 Markets and International 71
 Rural and Co-operatives Secretariats 78
 Canadian Pari-Mutuel Agency 81

SECTION III: Supplementary Information..... **85**

Financial Tables..... **85**
Unaudited Financial Statements **105**
Horizontal Initiatives **131**
Key Government-wide Themes..... **133**
Audits and Evaluations..... **135**
Parliamentary Committee Reports..... **137**

SECTION IV: Other Items of Interest..... **139**
Agriculture and Agri-Food Portfolio **139**
How to Reach Us..... **140**
Legislation Administered by the Minister of Agriculture and Agri-Food..... **143**
Appendix A – List of Web Sites **144**

Departmental Overview

Message from The Minister

I am proud and honoured to present this report on the achievements of Agriculture and Agri-Food Canada over the past fiscal year 2006-2007.

While this review covers the important progress for the sector achieved under the watch of my predecessor Minister Strahl, I am committed to building on that strong foundation and helping producers capture new opportunities for profitability.

In my time as Minister, I have certainly been impressed by my portfolio team's dedication to serving the agriculture and agri-food sector and indeed all Canadians.

Although they have different mandates, the six organizations within the Agriculture and Agri-Food Portfolio – Agriculture and Agri-Food Canada, the Canadian Dairy Commission, the Canadian Food Inspection Agency, the Canadian Grain Commission, Farm Credit Canada and the National Farm Products Council – are working together effectively to build a profitable future for Canadian producers and the other players in the agriculture and agri-food sector.

As Minister, I plan to pursue this course of collaboration with the portfolio, and with governments, industry and Canadians. This will be essential if we are to succeed in achieving long-term prosperity for Canada's agriculture and agri-food sector.



The Honourable Gerry Ritz

Every step we take, whether it is developing a policy or a program, we must ask ourselves “How will this help move farmers and indeed the whole value chain forward?”

I will also make it a priority to accent the positives of our great industry, to focus on the exciting potential for production beyond food, including products such as biofuels, new pharmaceuticals and industrial materials.

The Canadian agriculture, agri-food and agri-products sector is a powerful driver of the Canadian and provincial economies. It provides one in eight of our jobs, more than \$26 billion a year in exports and accounts for 8.1 per cent of our total gross domestic product.

Over the past year, the Government of Canada has been working hard, in collaboration with the provinces, territories and the agriculture industry, to take concrete action in key areas to support the sector.

Through budgets 2006 and 2007, a total of \$4.5 billion in new federal funding was committed.

We invested in science as a key to competitiveness for the sector. More than \$500 million was invested to help farmers and rural communities seize new market opportunities in the agricultural bioproducts sector, through biofuels and bioproducts.

Producers suffering from drought and flooding were assisted, as well as low-income farm families.

The Canadian Agricultural Income Stabilization program was replaced with a new suite of programs under development to provide more predictable, responsive and bankable business risk management tools for farmers.

The Government invested \$600 million to kick-start producer savings accounts to help producers to address smaller income fluctuations; committed \$400 million to help producers address rising costs of production; and doubled the amount of interest-free money available through cash-advance programming, which, as of March 31, 2007, advanced \$988.4 million to agricultural producers.

Combined, these investments are helping to advance Canada's agriculture and agri-food sector as a whole in the areas of health, the environment and the bioeconomy. And they are ensuring that the Canadian agriculture and agri-food sector maintains its competitive edge in a rapidly changing world while protecting the health and well-being of Canadians and their environment.

Internationally, we continue to stand up for our producers and processors. We are working hard in the WTO negotiations to achieve the best possible outcome for all of Canadian agriculture, including both export-oriented and supply-managed industries.

Looking ahead, I believe we have a historic window of opportunity for the Canadian agriculture, agri-food and agri-products industry.

The Agricultural Policy Framework expires at the end of this fiscal year. At the same time, several major forces for change are converging on the sector, including expanded global competition and greater consumer awareness and demands.

I am currently working with my provincial and territorial counterparts and the sector to develop a new policy framework and programming for a profitable and innovative agriculture, agri-food and agri-products industry.

Federal, provincial and territorial governments have already agreed on a dynamic new plan for the sector – *Growing Forward*. Driven by industry, *Growing Forward* will form the basis for governments to work toward a new agriculture and agri-food policy framework. We will continue to work with the sector to refine our approach.

With new markets, better market access and scientific advances, I am optimistic that the sector can achieve a prosperous and profitable future.

I look forward to working with all stakeholders to make that future happen.

The Honourable Gerry Ritz
Minister of Agriculture and Agri-Food
and Minister for the Canadian Wheat Board

Management Representation Statement

I submit for tabling in Parliament, the 2006-2007 Departmental Performance Report for Agriculture and Agri-Food Canada.

This document has been prepared based on the reporting principles contained in the *Guide for the Preparation of Part III of the 2006–2007 Estimates: Reports on Plans and Priorities and Departmental Performance Reports*:

- it adheres to the specific reporting requirements outlined in the Treasury Board Secretariat guidance;
- it is based on the department's approved Strategic Outcomes and Program Activity Architecture that were approved by the Treasury Board;
- it presents consistent, comprehensive, balanced, and reliable information;



Yaprak Baltacioğlu
Deputy Minister

- it provides a basis of accountability for the results achieved with the resources and authorities entrusted to it; and
- it reports finances based on approved numbers from the Estimates and the Public Accounts of Canada.

Yaprak Baltacioğlu
Deputy Minister
Agriculture and Agri-Food Canada

Summary Information

VISION

Agriculture and Agri-Food Canada has a vision of a competitive and innovative agriculture and agri-food sector where partners work together to be the world leader in agriculture and agri-food, meeting domestic and global customer needs while respecting the environment.

MANDATE






To this end, AAFC provides policies, programs, information, and technology to achieve its three strategic outcomes:

- 1) Security of the Food System;
- 2) Health of the Environment; and
- 3) Innovation for Growth.

The department's work toward achieving these outcomes is concentrated in the areas of core federal jurisdiction, including supporting agricultural and agri-food productivity and trade, stabilizing farm incomes, conducting research and development, and being responsible for the inspection and regulation of animals and plant-life forms. The department also co-ordinates federal efforts related to rural and co-operative development, and works to enhance the quality of rural life in Canada.

THE AGRICULTURE AND AGRI-FOOD PORTFOLIO

The following organizations outside of AAFC's direct governance structure make up what is known as the agriculture and agri-food portfolio:

- the Canadian Dairy Commission (CDC) , which co-ordinates federal and provincial dairy policies and creates a control mechanism for milk production to help stabilize revenues and avoid costly surpluses;
- the Canadian Food Inspection Agency (CFIA) , which seeks to ensure the health of Canadians by safeguarding not just the food supply but also the plants and animals upon which safe and high-quality food depends;
- the Canadian Grain Commission (CGC) , which delivers excellence and innovation in grain quality and quantity assurance, research, and producer protection;
- Farm Credit Canada (FCC) , which enhances rural Canada by providing specialized and personalized business and financial services and products to farming operations, including family farms, and to those businesses in rural Canada, including small and medium-sized businesses, that are businesses related to farming; and
- the National Farm Products Council (NFPC) , which promotes efficient, competitive Canadian agriculture and helps to improve farm-product marketing between Canadian provinces and territories and international markets.


Of these organizations, only the NFPC reports to Parliament through AAFC. Performance information for the CFIA and CGC is available at: <http://www.tbs-sct.gc.ca/est-pre/estimE.asp>. For performance information for the CDC and FCC, please contact those organizations directly. Contact information is available in Section IV of this document.

BENEFITS FOR CANADIANS

AAFC's program activities form a cohesive action plan that works for the benefit of all Canadians. Specific benefits include:

- a reliable supply of safe and high-quality agri-food products;
- economic, social and environmental contributions from a competitive and sustainable agriculture and agri-food system;
- enhanced compatibility between nature and agriculture;
- increased opportunities for growth in rural communities; and
- increased international recognition for quality Canadian products and expertise.




HOW WE REPORT

Agriculture and Agri-Food Canada reports against the new Program Activity Architecture (PAA) in accordance with the Treasury Board Secretariat of Canada's Management of Resources and Results Structure (MRRS) . The MRRS provides an inventory of departmental programs and activities and shows their relationship to the department's strategic outcomes.

Beginning with this DPR, the performance of the Rural and Co-operatives Secretariats, as well as the agencies reporting to Parliament through AAFC, will be reported under the appropriate strategic outcome, as per the *Departmental Program Activities* table on page 4 of the 2006-2007 Report on Plans and Priorities.

AAFC'S PROGRAM ACTIVITY ARCHITECTURE

Security of the Food System	Health of the Environment	Innovation for Growth
Business Risk Management (BRM)	Environment	Innovation & Renewal
BRM Policy & Strategy	Environment Policy & Strategy	Science Policy & Coordination
Policy Research & Analysis	Policy Planning & Integration	Policy Research & Analysis
Policy Planning & Integration	Environment G&C Programming	Policy Planning & Integration
Canadian Agricultural Income Stabilization	Minor Use Pesticides / Risk Reduction	Advancing Canadian Agriculture and Agri-Food program
Net Income Stabilization Account & Other BRM Program Wind Down	Agri-environmental Science	
Disaster & Financial Guarantee Programs	National Land and Water Information Service (NLWIS)	Renewal Programs
Production Insurance & Other Risk Management Programs	National Agri-Environmental Services	Sustainable Production Systems
Food Safety & Food Quality (FSQ)	Environment Programming (Services)	Bio-Products & Bio-Processes
Improving Food System Management	Community Pastures Program	Office of Intellectual Property & Commercialization
Policy Research & Analysis		Markets & International
Policy Planning & Integration		Policy Research & Analysis
FSQ Programs		Policy Planning & Integration
FSQ Science		Marketing Policy
Industry Liaison		International Trade Agreements (WTO, etc.)
Markets & International		Canadian Agriculture & Food International Program
Policy Research & Analysis		International Science Cooperation
Policy Planning & Integration		Technical Trade
Marketing Policy		International Development
International Trade Agreements (WTO, etc.)		Sector Development & Analysis
Canadian Agriculture & Food International Program		Branding Management / VCRTs
International Science Cooperation		Market Access & Market Development
Technical Trade		Trade Disputes
International Development		Regional Operations
Sector Development & Analysis		Management & Administrative Support
Branding Management/Value Chain Round Tables		Rural & Co-operatives
Market Access & Market Development		Rural
Trade Disputes		Co-operatives
Regional Operations		Canadian Pari-Mutuel Agency
Management & Administrative Support		
National Farm Products Council		

Legend	
	Strategic Outcome
	Program Activity
	Program Sub-Activity

CHANGES IN AAFC'S PAA SINCE THE 2005-06 DPR

The AAFC program activity previously named *International Issues* has been re-named *Markets and International* since the publication of the department's last DPR. This did not change the structure of the department's PAA. The table below illustrates the change.

Strategic Outcome	Previous Program Activity	New Program Activity
Security of the Food System	International Issues	Markets and International
Innovation for Growth	International Issues	Markets and International

FINANCIAL AND HUMAN RESOURCES

2006-07 Total Financial Resources for Agriculture and Agri-Food Canada

(\$ millions) Net

Planned Spending	Total Authorities	Actual Spending
3,853.9	3,870.4	3,567.7

2006-07 Total Human Resources for Agriculture and Agri-Food Canada

Planned FTEs	Actual FTEs	Difference
6,257	6,585	328

FTEs = Full-Time Equivalents

Summary of Performance in Relationship to Departmental Program Activities

The following table and narrative section summarizes Agriculture and Agri-Food Canada's performance for fiscal year 2006-07 for each of its program activities and strategic outcomes.

As indicated in the table on page 10, achievements and results under the department's strategic outcomes contribute to and support the Government of Canada's desired outcomes of *Strong Economic Growth, An Innovative and Knowledge-Based Economy, A Fair and Secure Marketplace, A Clean and Healthy Environment, and A Prosperous Canada Through Global Commerce.*

(\$ millions) Net		2006-2007		
Program Activities by Strategic Outcome	Type	Planned Spending	Actual Spending	Expected Results and Performance Status
Security of the Food System				
Business Risk Management	Ongoing	2,689.2	2,438.5	<ul style="list-style-type: none"> producers better supported and able to manage business risks increased producer capacity to manage operations (cashflow) throughout the production year increased business planning and skills development among low income farm families increased sector viability and profitability Performance status: Mostly Met
Food Safety and Food Quality	Ongoing	121.3	66.8	<ul style="list-style-type: none"> consumers confident about the safety and quality of food produced in Canada exposure to hazards reduced thereby protecting human health industry able to meet or exceed market requirements for agri-food safety and quality, including animal and plant health value-added opportunities for the sector through the adoption of food safety, food quality and traceability systems Performance status: Mostly Met
Markets and International (70%)	Ongoing	79.5	91.8	<ul style="list-style-type: none"> increased exports of Canadian agriculture and food products increased domestic and foreign investment in Canada's agriculture and food sector increased domestic market share of Canadian agriculture and food products increased influence in the development and application of international rules, technical standards and policies governing the trade of agriculture products Performance status: Mostly Met
National Farm Products Council	Ongoing	2.6	2.5	<ul style="list-style-type: none"> receipt of draft federal-provincial-territorial agreements by the three national agencies levy collection system in place and progress on a check-off for imports of beef and beef products action plan to respond to proposed changes to the regulatory framework continued implementation of the Government of Canada's Management Accountability Framework and further alignment with the framework Performance status: Mostly Met
Total Security of the Food System		2,892.6	2,599.6	
Health of the Environment				
Environment	Ongoing	331.4	364.4	<ul style="list-style-type: none"> air: reduced agricultural risks and improved benefits to the health of air and the atmosphere, with key priority areas being particulate emissions, odours, and emissions of gases that contribute to global warming soil: reduced agricultural risks and improved benefits to the health of soils, with key priority areas being soil organic matter and soil erosion caused by water, wind or tillage

(\$ millions) Net		2006-2007		
Program Activities by Strategic Outcome	Type	Planned Spending	Actual Spending	Expected Results and Performance Status
				<ul style="list-style-type: none"> • water: reduced agricultural risks and improved benefits to the health and supply of water, with key priority areas being nutrients, pathogens, pesticides, and water conservation • biodiversity: ensured compatibility between biodiversity and agriculture, with key priority areas being habitat availability, species at risk, and reduction of economic damage to agriculture from wildlife Performance status: Met
Total Health of the Environment		331.4	364.4	
Innovation for Growth				
Innovation and Renewal	Ongoing	572.2	544.3	<ul style="list-style-type: none"> • increased market opportunities for the agriculture and agri-food sector • Canadian farmers optimize their businesses through renewal programming and services • utilization of advances in value-added research that enable farmers, processors, rural communities, and service providers to differentiate their products and services • Science and Innovation Strategy that integrates national science and innovation capacity for the agriculture and agri-food sector • utilization of advances in innovative production systems • innovation programming strengthened due to enhanced linkages within and between science and innovation community and the agriculture and agri-food value chain • utilization by the agriculture and agri-food sector of advances in crop genetic advancement • enhanced and integrated approach to Innovation and Renewal Policy Performance status: Mostly Met
Markets and International (30%)	Ongoing	34.1	39.3	<ul style="list-style-type: none"> • increased exports of Canadian agriculture and food products • increased domestic and foreign investment in Canada's agriculture and agri-food sector • increased domestic market share of Canadian agriculture and food products • increased recognition of Canadian products and capabilities Performance status: Mostly Met
Rural and Co-operatives Secretariats	Ongoing	23.7	20.8	<ul style="list-style-type: none"> • a stronger rural voice • enhanced capacity for development of rural communities • government policies, programs, and services increase opportunities, mitigate barriers and enhance capacity of rural development • enhanced capacity for development of co-operatives • government policies, programs, and services increase opportunities, mitigate barriers and enhance capacity for co-operative development Performance status: Met
Canadian Pari-Mutuel Agency	Ongoing	–	(0.8)	<ul style="list-style-type: none"> • confidence of the betting public in pari-mutuel wagering • detection against betting irregularities and performance-affecting drugs in horses • determination of the exact order of the finish of a race • availability of leading-edge, automated monitoring technologies to agency officers • self-sufficient Revolving Fund • improved levels of awareness and acceptance of regulations and policies • strong federal, provincial and industry partnerships and increased international recognition Performance status: Met
Total Innovation for Growth		630.0	603.7	
Total		3,853.9	3,567.7	

The figures in the above tables have been rounded to the nearest millions of dollars. For this reason, figures that cannot be listed in millions of dollars are shown as 0.0. Due to rounding, figures may not add to the totals shown.

ALIGNMENT TO GOVERNMENT OF CANADA OUTCOMES

Government of Canada Outcomes	Agriculture and Agri-Food Canada Strategic Outcomes	Agriculture and Agri-Food Canada Program Activities
Economic: Strong Economic Growth	Security of the Food System: A secure and sustainable agriculture and agri-food system that provides safe and reliable food to meet the needs and preferences of consumers	<ul style="list-style-type: none"> • Business Risk Management • Food Safety and Quality • Markets and International • National Farm Products Council
Economic: An Innovative and Knowledge-Based Economy	Innovation for Growth: An innovative agriculture and agri-food sector that develops food and other agriculture-related products and services in order to capture opportunities in diversified domestic and global markets	<ul style="list-style-type: none"> • Innovation and Renewal • Rural and Co-operatives Secretariats
Economic: A Fair and Secure Marketplace	Innovation for Growth: An innovative agriculture and agri-food sector that develops food and other agriculture-related products and services in order to capture opportunities in diversified domestic and global markets	<ul style="list-style-type: none"> • Canadian Pari-Mutuel Agency
Economic: A Clean and Healthy Environment	Health of the Environment: An agriculture and agri-food sector that uses environmental resources in a manner that ensures their sustainability for present and future generations	<ul style="list-style-type: none"> • Environment
International: A Prosperous Canada through Global Commerce	Innovation for Growth: An innovative agriculture and agri-food sector that develops food and other agriculture-related products and services in order to capture opportunities in diversified domestic and global markets	<ul style="list-style-type: none"> • Markets and International

Operating Environment

The agriculture and agri-food sector plays an important role in Canada, from both an economic and social perspective. From the farming operations across the country, to the researchers, processors, distributors, retailers, and all those in between, Canada's prosperity, both economically and socially, is directly related to the success of the agriculture and agri-food sector.

The sector generates approximately \$130 billion in consumer sales in Canada each year, accounting for roughly eight per cent of the country's GDP. The sector exported almost \$28 billion in agriculture and food products in 2006 (almost \$32 billion including fish and seafood exports), and contributed almost \$7.4 billion to Canada's overall trade surplus. In addition, it employs about two million Canadians, representing one of every eight jobs in the country.

Just as important as the sector's economic contribution is its contribution to Canada's social fabric, including the role it plays in ensuring the well-being and vibrancy of rural and remote communities across the country. Canada's farmers, farm families and farming communities are the heart of Canadian agriculture and agri-food, and AAFC works to ensure the sector has the tools it needs to grow, prosper and be competitive on the world stage. This sectoral prosperity, in turn, is integral to the overall economic and social prosperity of Canada as a whole.

Even with its recognition around the world as a provider of reliable, safe, nutritious, and high-quality food, Canada's agriculture and agri-food sector has the potential for improved performance, competitiveness and profitability. It is poised to tap exciting new opportunities resulting from advances in science and technology to develop innovative food and non-food products. The end result of these advances will be even more diverse and healthier products, as well as environmental benefits, that will further contribute to a better quality of life for all Canadians.

Challenges and Opportunities

The sector faces many challenges each year, often beyond the control of producers. In any given year, these challenges can include production risks such as adverse weather conditions, pests and animal diseases, and market risks such as changing consumer preferences and fluctuating global market conditions. Globalization also introduces competitive risks such as lower-cost competition entering the marketplace while the rising value of the Canadian dollar puts downward pressure on Canadian agricultural exports. Compounding some of these challenges is the fact that producers must always be cognizant of the need to ensure the sustainability of Canada's environmental resources.

However, opportunities exist. For example, the sector may be able to benefit from specific consumer demand for *green* agri-food products. Also, with a net positive carbon offset balance, Canada's agriculture and agri-food sector can contribute to the country's efforts toward meeting international agreements related to carbon emissions.

Declining farm income

Despite substantial ongoing assistance from government and the continued advances in agricultural technology and productivity, farm income in Canada has consistently declined in recent years. Realized farm income fell from \$3.7 billion in 2001 to a record low level of \$423 million in 2003, due largely to a combination of short-term production risks such as animal diseases and natural disasters. It has since recovered somewhat, reaching a high of approximately \$1.7 billion in 2006.

Production risks

Production risks, from animal diseases to adverse weather conditions to pest infestation, are omnipresent in the agriculture and agri-food sector. As shown by the recent cases of bovine spongiform encephalopathy, avian influenza and plum pox virus, these risks can create chaos for growers and many others in the sector, with potentially devastating financial ramifications. Even when a risk can be somewhat accurately forecast, such as with adverse weather phenomena, its effects on the sector are often largely unavoidable. These risks are inherent to operating in Canada's agriculture and agri-food sector.

Environmental responsibilities

Farmers can play an integral role in creating a cleaner, healthier environment for all Canadians as well as producing healthier food for consumers. One of the primary ways in which they do this is by developing strategies and beneficial management practices (including the uses of reduced risk pest management products, new types of fertilizers, new application methods, or new land management technologies) to effectively reduce pesticide and nutrient leaching and to preserve biodiversity and natural ecosystems. This benefits not only consumers and the environment, but also helps increase the competitiveness of Canadian farmers in the global marketplace.

Additionally, as a contributor of approximately 10 per cent of Canada's greenhouse gas emissions, the agriculture and agri-food sector clearly has a substantial role to play in the Government of Canada's broader environmental health plans. By reducing its emissions of air pollutants and greenhouse gases, the sector can help protect human health and the environment while also taking advantage of opportunities to achieve greater operating efficiencies.

Market and trade conditions

Canada is a net exporter of agricultural and agri-food products, contributing \$7.4 billion to the national trade surplus in 2006. The value of these exports has more than doubled since the early 1990s, with exports of value-added agricultural products more than quadrupling over this period. This growth is expected to continue with the emergence of the burgeoning middle class in countries such as China and India.

There is growing competition for market share around the world. Canadian producers are increasingly competing against not only subsidized products from the United States and European Union but also products from emerging countries, such as Brazil, that are increasingly capitalizing on their lower production costs. Add to this the fact that technological advances have boosted productivity growth that outstrips product demand and the result is a supply surplus and an inevitable decline in some commodity prices.

In this ever more competitive global market, Canada remains deeply committed to liberalized trade and to use of the World Trade Organization (WTO) as a forum to advance the interests of Canada's agriculture and agri-food sector.

Consumer preferences

Satisfying the evolving needs of consumers is a constant challenge for the sector. Today's consumer has greater product knowledge and easier access to a wider selection of products than at any time in history. Buyers want a greater variety of products and they expect a higher nutritional value in the products they consume. The increased interest from consumers regarding how their food is produced has raised awareness within the sector of the need to adopt common industry standards at the farm and processing levels and continues to provide opportunities for products and food produced in environmentally friendly ways.

Innovation and new markets

Canada's agriculture and agri-food sector has a strong tradition of scientific research and innovation and has demonstrated the ability to adapt to changing market conditions, all key factors in the sector's long-term profitability and competitiveness. By continually working to introduce new products and production efficiencies, and focusing on opportunities to expand into new markets, the sector has the ability to provide increasing social and economic benefits to all Canadians.

The link between agriculture and human health has come into sharper focus in recent years. The role that agriculture, food and nutrition can play in disease prevention and overall wellness has led to a greater concern with food safety and quality, which, in turn, has led to a greater focus on innovative, safe and sustainable modes of production. Agriculture science and innovation will also yield new agricultural management practices that enhance environmental sustainability, and support Canadian farms' and agri-industries' international competitiveness.

The agriculture and agri-food sector also has a central role to play in the Government of Canada's new biofuels strategy as it aims to regulate an annual average of five per cent renewable fuel content in gasoline by 2010, and two per cent in diesel fuel and heating oil by 2012. Indeed, the entire bio-economy holds great promise for Canada's agriculture and agri-food sector as the rise of biotechnology has created a wealth of new value-added possibilities for Canadian producers and processors.

The APF and the next generation of agriculture and agri-food policy

Since 2003, AAFC has worked through the Agricultural Policy Framework (APF) to meet many of the challenges in today's agricultural climate and address the needs of Canada's agriculture and agri-food sector.

The APF helped create a national approach to agriculture and agri-food policy. It was designed to help the sector seize opportunities from globalization and increase Canadian competitiveness in markets at home and abroad by becoming the world leader in: meeting burgeoning consumer demands for safe food and environmental stewardship; earning market premiums for high-quality foods; developing innovative products through investments in science; and building market recognition of the quality and value of our products.

With the APF due to expire in March 2008, the department, its portfolio partners and provincial and territorial governments have been working with stakeholders to develop the next generation of agriculture and agri-food policy.

Our Strategic Response

Agriculture and Agri-Food Canada is working with stakeholders to address these challenges and make the most of the opportunities facing the agriculture and agri-food sector. It aims to ensure a strong, vibrant farm sector that provides security of income to families dependent on farming and food security for all Canadians.

In 2006-07, the department continued to support Canadian agriculture and agri-food through the APF, a joint federal, provincial and territorial strategy. The APF provided a more stable platform of policies and programs to enhance the long-term profitability, competitiveness and sustainability of the sector. The implementation of the APF in 2003 established a new policy direction for governments and industry by enabling a full shift towards a whole-farm approach.

Within the framework of agriculture and agri-food policy, the department seeks to achieve results under its three strategic outcomes: 1) Security of the Food System, 2) Health of the Environment and 3) Innovation for Growth. AAFC and its portfolio partners pursue key program activities under each of these three strategic outcomes to advance the agriculture and agri-food agenda and ensure the best quality of life for all Canadians.

The APF is made up of five integrated and complementary elements: (1) Business Risk Management, (2) Food Safety and Food Quality, (3) Science and Innovation, (4) Environment, and (5) Renewal. It also includes an international dimension that cuts across each of the five pillars. Policies and programs under all five elements are in place, most in partnership with provincial and territorial governments, and many delivered by stakeholder groups.

The inception of the APF created the need for a more progressive management framework for the department. To meet this need, AAFC has undergone a significant transformation during the past three years. Through realignment of departmental resources and structures, *horizontal teams* were created, each responsible for one of the elements of the APF. This approach supports multi-disciplinary contributions to broad strategic outcomes and encourages co-operation and teamwork. Within the department, *enabling teams* support the work of horizontal teams. More information on the structure of the department is available in Section IV of this document.

AAFC works through five key program activities, which contribute toward achieving the three strategic outcomes under which this report is organized.

The five program activities are:


- Business Risk Management (BRM) – enhancing producers' capacity to manage risk, and increasing the sector's viability and profitability;
- Food Safety and Food Quality (FSQ) – minimizing the risk and impact of food-borne hazards on human health, increasing consumer confidence and improving the sector's ability to meet or exceed market requirements for food products;
- Environment – achieving environmental sustainability of the industry by preserving the quality and availability of resources – air, water, soil, and biodiversity – for present and future generations;
- Innovation and Renewal – equipping the industry with new business and management skills, bioproducts, knowledge-based production systems, and strategies to capture opportunities and to manage change; and
- Markets and International – expanding international opportunities for the Canadian agriculture and agri-food sector.

In addition, there are three other program activities that contribute to the achievement of AAFC's strategic outcomes. These are:

- Rural and Co-operatives Secretariats;
- National Farm Products Council; and
- Canadian Pari-Mutuel Agency.

This Departmental Performance Report (DPR) presents the detailed results of the above departmental program activities, reporting against expected results and commitments detailed in the department's 2006-07 *Report on Plans and Priorities* (RPP).

ONGOING DEPARTMENTAL PRIORITIES BY PROGRAM ACTIVITY ARCHITECTURE

The tables below summarize AAFC's progress and performance against commitments made in the department's 2006-07 RPP . Further details on the program activities under each strategic outcome can be found in Section II of this report.

Program Activity: Business Risk Management

Enhancing producers' capacity to manage risk, and increasing the sector's viability and profitability

Expected Results in 2006-2007:

- producers better supported and able to manage business risks;
- increased producer capacity to manage operations (cashflow) throughout the production year;
- increased business planning and skills development among low income farm families; and
- increased sector viability and profitability.

Commitments in 2006-2007

- work with provinces and industry to adjust BRM programs to better meet producer needs and changing market and production conditions, and to replace CAIS with distinct programs for agricultural income stabilization and disaster relief
- undertake thorough review of CAIS program to enhance its responsiveness and predictability, and to improve its delivery
- implement the amendments to the Agricultural Marketing Programs Act (AMPA) to expand coverage to include livestock and more crops, increase the limits on financial advances to producers and consolidate the existing SCAP and APP into one program
- implement Budget 2006 commitments to support farm families and farming communities through investments and more effective programming that better meets their needs and recognizes the circumstances they face

Key Results

- AMPA legislative changes were introduced in May 2006, received royal ascent in June 2006, and came into force in November 2006. Agreements were implemented as a result of the legislative changes
- introduced a new inventory valuation methodology, which improves predictability and timeliness of CAIS
- expanded negative margin coverage, which increases responsiveness of CAIS
- implemented a targeted advance mechanism for disaster situations, which improves timeliness of CAIS payments
- introduced administrative refinements, including simplifying the CAIS program and its on-line services
- implemented the \$900 million CAIS Inventory Transition Initiative (CITI) under which the new methodology was applied retroactively to the 2003, 2004 and 2005 program years and payments were made to producers based on any benefit the new methodology would have produced
- announced intention to pursue a producer savings account program with the provinces that would replace the coverage for small income declines currently offered under the margin-based CAIS program
- developed, in conjunction with the provinces, a disaster relief framework (DRF), designed to provide structure and consistency to when and how governments respond to disasters
- Prairie Farm Rehabilitation Administration developed a \$90-million pilot program to help producers with the costs of implementing best management practices to prevent soil erosion on land that could not be seeded to a commercial crop due to excess soil moisture
- improved agriculture-financial services industry (FSI) networking through an expanded range of FSI contacts available to projects
- amalgamated SCAP and APP into a new program which increased the maximum advance to \$400,000, with the first \$100,000 interest-free. The program was also broadened to cover livestock and more crops, and to provide a longer repayment period, allowing producers to make repayments when it suits them, giving them the opportunity to yield higher returns on their agricultural products
- implemented Canadian Farm Families Options Program to help lower-income farm families explore options to raise their income for the future and provide short-term income support to lower-income farm families

Program Activity: Food Safety and Food Quality

Minimizing the risk and impact of food-borne hazards on human health, increasing consumer confidence and improving the sector's ability to meet or exceed market requirements for food products, and provide value-added opportunities through the adoption of food safety, food quality and traceability systems

Expected Results in 2006-2007:

- consumers confident about the safety and quality of food produced in Canada;
- exposure to hazards reduced thereby protecting human health;
- industry able to meet or exceed market requirements for agri-food safety and quality, including animal and plant health;
- value-added opportunities for the sector through the adoption of food safety, food quality and traceability systems.

Commitments in 2006-2007

Key Results

- | | |
|---|--|
| <ul style="list-style-type: none"> • work with partners on a National Food Policy Framework, with particular attention on developing closer links between agriculture and health • develop a national approach to guide implementation of animal and food traceability across the Canadian food supply chain • work with partners to develop an integrated approach to animal health and welfare | <ul style="list-style-type: none"> • strengthened collaborative efforts between the agriculture and health portfolios to target key areas for policy co-ordination within the ag-health agenda • completed the approach to implementation for livestock traceability, from the farm to the slaughterhouse. Discussions are currently taking place to develop a strategic plan for implementation across the food supply chain for livestock and other commodities • farmed animal health was a feature of national consultations for the NGAP in 2006-2007. AAFC continues to support the development of a comprehensive animal health strategy in Canada |
|---|--|

Program Activity: Environment

Achieving environmental sustainability of the industry by preserving the quality and availability of resources – air, water, soil, and biodiversity – for present and future generations

Expected Results in 2006-2007:

- **air:** reduced agricultural risks and improved benefits to the health of air and the atmosphere, with key priority areas being particulate emissions, odours and emissions of gases that contribute to global warming;
- **soil:** reduced agricultural risks and improved benefits to the health of soils, with key priority areas being soil organic matter and soil erosion caused by water, wind or tillage;
- **water:** reduced agricultural risks and improved benefits to the health and supply of water, with key priority areas being nutrients, pathogens, pesticides, and water conservation; and
- **biodiversity:** ensured compatibility between biodiversity and agriculture, with key priority areas being habitat availability, species at risk, and economic damage to agriculture from wildlife.

Commitments in 2006-2007

Key Results

- | | |
|--|--|
| <ul style="list-style-type: none"> • explore innovative policy and program options for next generation of agriculture and agri-food policy to achieve environmental goals, including environmental certification • continue implementation of the National Land and Water Information Service (NLWIS) • manage agriculture's interface with the Government of Canada's climate change initiative • pursue research to increase our knowledge of the interactions between agriculture and the environment, especially in the area of soil, water and air quality, biodiversity, and Integrated Pest Management, and use this knowledge to develop management practices bearing low environmental footprints | <ul style="list-style-type: none"> • provided the technical and knowledge support to farmers that will contribute to a healthier environment and economic sustainability (including implementation and promotion of comprehensive environmental planning and beneficial management practices) • developed climate change scenarios for agriculture and improved prediction of the effects of associated stresses to crop production, thereby enhancing the understanding and awareness of climate change impacts and adaptation challenges and opportunities for the sector • conducted research to improve our knowledge and understanding of the processes and mechanisms by which agricultural inputs (e.g. nutrients and pesticides) affect resources (air, water, soil, and biodiversity). To help reduce the environmental footprint of agriculture, AAFC scientists are building on this knowledge and developing innovative environmental technologies, beneficial management practices, and indicators of the state of the |
|--|--|

environment. The outcome is new technologies and practices to minimize the potential adverse impacts of nutrients and pesticides on resources. The productivity of Environmental Health scientists for fiscal year 2006-2007 testify of these achievements and include several hundred scientific publications, technology transfer activities and proof of innovation

- Work continued on the new enterprise technical infrastructure for NLWIS, using national standards and interoperable technology; this infrastructure will enhance its Geographic Information System capabilities
- Enhanced the capacity of NLWIS through partnership and collaboration with the public and private sectors to provide data and decision support; a number of data-sharing agreements have been signed and these contribute to the development of new agri-environmental applications and services

Program Activity: Innovation and Renewal

Equipping the industry with new business and management skills, bioproducts, knowledge-based production systems, and strategies to capture opportunities and manage change

Expected Results in 2006-2007:

- increased market opportunities for the agriculture and agri-food sector;
- Canadian farmers optimize their businesses through renewal programming and services;
- utilization of advances in value-added research that enable farmers, processors, rural communities, and service providers to differentiate their products and services;
- Science and Innovation Business Plan that integrates national science and innovation capacity for the agriculture and agri-food sector;
- utilization of advances in innovative production systems;
- innovation programming strengthened due to enhanced linkages within and between science and innovation community and the agriculture and agri-food value chain;
- utilization by the agriculture and agri-food sector of advances in crop genetic advancement; and
- enhanced and integrated approach to Innovation and Renewal Policy.

Commitments in 2006-2007

- develop and implement AAFC's Science and Innovation Business Plan
- build integrated national science capacity
- develop regional and national science and research consultation mechanisms and partnerships
- participate in the development of the Government of Canada's Science Policy Framework
- work strategically with the sector to identify new skills and learning opportunities needed to succeed in the increasingly knowledge-intensive economy

Key Results

- delivered two science-based programs – the Broker and Agri-Innovation Programs – designed to bring together a full spectrum of organizations to accelerate the adoption of innovation and the commercialization of products into the marketplace, and increase opportunities for farmers
- through the Advancing Canadian Agriculture and Agri-Food program, helped the sector seize new market opportunities, respond to current and emerging issues and contribute to the direction of future policies and programs for the sector, funded projects at the national, multi-regional and regional levels
- launched the Biofuels Opportunities for Producers Initiative (BOPI), a two-year, \$20-million initiative under the ACAAF program, designed to help farmers and rural communities conduct feasibility studies and develop sound, viable business proposals to create and expand biofuel production capacity involving significant ownership by agricultural producers
- Consultations were conducted and a Science strategy was developed with seven priorities.
- a science plan was developed based on peer review of proposed research to be conducted by AAFC scientists
- initiated programs designed to encourage adoption of innovation, as outlined in Section II of this report
- many technologies and varieties of crops were developed and licensed to producers here and abroad which is an indication of the merit of the scientific outputs of the Science and Innovation Programs (see Section II)

Program Activity: Markets and International

Expanding international opportunities for the Canadian agriculture and food sector

Expected Results in 2006-2007:

- increased exports of Canadian agriculture and food products;
- increased domestic and foreign investment in Canada's agriculture and agri-food sector;
- increased domestic market share of Canadian agriculture and food products;
- increased recognition of Canadian products and capabilities; and
- increased influence in the development and application of international rules, technical standards and policies governing the trade of agriculture products.

Commitments in 2006-2007

Key Results

- | | |
|--|---|
| <ul style="list-style-type: none"> • continue to participate in and work hard to influence the WTO negotiations in a manner consistent with our objectives • continue to press for improved access to international markets, particularly with respect to cattle and beef • increase Canada's trade advocacy efforts abroad • manage trade policy issues related to WTO and foreign agriculture policies, as well as technical trade issues such as labelling and animal and plant diseases • negotiate equivalency of Canadian organic production system with the EU • continue negotiations on the Canada-Central America Four (CA4) Free Trade Agreement and the Canada-Korea Free Trade Agreement, and consider opportunities to pursue additional regional and bilateral trade negotiations • review the Canadian regulatory environment to enhance the competitiveness of Canadian agriculture • enhance the abilities of the Canadian food industry to produce high-quality food products while meeting current and future consumer needs • continue implementing a national strategy for branding Canadian agriculture and food • continue to support the development of sector-specific strategies for market success through the industry-led Value-Chain Roundtables • continue to take advantage of new and existing export opportunities • maximize investment potential of the Canadian agriculture and agri-food sector • implement international market engagement, international development and international scientific cooperation strategies | <ul style="list-style-type: none"> • through the WTO, Canada pressed for an ambitious overall tariff reduction formula and for substantial reductions to and disciplines on trade-distorting domestic support and the elimination of all forms of export subsidies • improved access to cattle and beef markets in Russia, Egypt, El Salvador, Macedonia, Thailand, and Indonesia • continued to actively advocate for the repeal of the United States' mandatory Country-of-Origin labeling legislation, and monitor the U.S. Farm Bill process to ensure U.S. proposals do not harm Canadian interests • worked with the WTO's Committee on the Application of Sanitary and Phytosanitary Measures (SPS) to advocate for increased access to foreign markets in the aftermath of BSE • actively involved in the ongoing work of the WTO Committee on Technical Barriers to Trade (TBT), which deals with regulatory and other non-tariff barriers to trade that are not related to plant, animal and human health • participated in the ongoing work of the Codex Committee on Food Labeling • submitted a formal request for equivalency of Canadian organic production system to the EU in December 2006 which is currently being reviewed • informal negotiating rounds were held with the Central America 4 (CA4) in an effort to formally re-launch full negotiations while trade negotiations with Korea are well advanced after ten rounds of talks. In addition, Canada formally re-launched negotiations with Singapore and with the European Free Trade Association (EFTA) with good progress achieved towards completing these FTAs • completed the second wave of a study titled Consumer Perceptions of Food Safety and Quality, and disseminated the results to government and industry stakeholders for use in policy, program and strategy development • progress was made on national approaches to the regulation of organic agriculture and wine quality, legislation for spirits blending and certification and standards for animal welfare • promoted adoption of the Canada branding strategy by industry and provincial government partners as well as federal partners in international trade consulates. To this end, <i>A Guide to Building and Managing the Canada Brand for Food and Agriculture</i> was produced, which served as a tool to inform all partners (industry and government) of the Canada branding strategy, how to be involved and what tools were available. Outreach sessions were held in all provinces, with government and industry stakeholders; a web site was launched which assisted in providing key information as well as access to branding tools • through the Seafood Value Chain Roundtable, AAFC sponsored domestic consumer market research which will support industry marketing efforts to increase the domestic consumption of mussels and lobsters in Canada |
|--|---|

- provided issue-specific advice to the Oilseeds Roundtable through presentations on the Cartagena Protocol on Biosafety and adventitious presence, and supported the work of the roundtable's International Trade Issues Working Group
- produced market research reports to help exporters develop new opportunities in areas such as functional foods and nutraceuticals
- domestic and foreign investments in Canada's agriculture and food sector increased in the past year
- capacity building workshops were delivered in priority countries. Food Safety (Egypt), two Farm Business Risk Management (Vietnam), Fruits and Vegetables Marketing and Dry-land Farming (Cuba). AAFC participated in FAO-led plant genetic project (Algeria)
- Discussions with foreign scientific organizations were enthusiastic and led to the signing of 9 cooperative S&T arrangements in 2006-2007, for a total of 30 since 2004. Under those arrangements, 38 activities were conducted mostly for the co-organizations of workshops, forums and symposiums giving unique opportunities to AAFC scientists to keep abreast of the innovations on going in foreign laboratories. Leading role was provided with intergovernmental organizations in relation to plant and animal genetic resources with FAO, and to biodiversity with the International Convention for Biodiversity

Program Activity: Rural and Co-operatives Secretariats

Expected Results in 2006-2007:

- a stronger rural voice
- enhanced capacity for development of rural communities
- government policies, programs, and services increase opportunities, mitigate barriers and enhance capacity of rural development
- enhanced capacity for development of co-operatives
- government policies, programs, and services increase opportunities, mitigate barriers and enhance capacity for co-operative development

Commitments in 2006-2007

- engage citizens and stakeholders to identify and address rural priorities
- the development of a collective base of knowledge and information to support informed decision making by governments and communities
- raise the profile and awareness of rural research and/or the application of research results in rural areas
- continue to work with other departments and partners on policy issues, studies and reports
- co-ordinate among federal policy makers through the Rural Development Network
- enhance development capacity for co-operatives through delivery of the Co-operative Development Initiative (CDI)
- foster and facilitate interaction among co-operative organizations and with the Government of Canada
- develop and disseminate new information, knowledge and tools that will help co-operatives and governments make informed decisions

Key Results

- engaged over 200 communities in dialogues, learning events and development initiatives including the needs of rural women, social enterprises, and community revitalization. (Refer to the DPR for details)
- launched the community information database
- introduced the decision making tools to communities
- published rural profiles at the national and provincial levels
- continued implementation of community capacity building models
- engaged with AAFC, NRCan, and DFO in a working group on sustainability of resource based industries
- raised participation in the RDN from 20 to 34 federal departments and agencies
- shared with OGDs information re rural poverty, community vulnerability, immigration, and other issues of interest to rural stakeholders
- supported 584 local initiatives that led to the creation of 38 new co-operatives, and enhanced capacity for 114 existing co-operatives
- held consultations with farmers and agricultural co-operatives to explore the challenges and opportunities that exist for agricultural co-operative development
- provided support for the publishing of co-op zone
- delivered community development events

Program Activity: Canadian Pari-Mutuel Agency

Enhancing CPMA's capacity to manage risk in pari-mutuel betting, thereby helping to protect the betting public against fraudulent activities

Expected Results in 2006-2007:

- confidence of the betting public in pari-mutuel wagering;
- detection against betting irregularities and performance-affecting drugs in horses;
- determination of the exact order of the finish of a race;
- availability of leading-edge, automated monitoring technologies to agency officers;
- self-sufficient Revolving Fund;
- improved levels of awareness and acceptance of regulations and policies; and
- strong federal, provincial and industry partnerships and increased international recognition.

Commitments in 2006-2007

- provide effective pari-mutuel supervision
- develop innovative systems to support the delivery of effective and efficient surveillance activities
- manage the Revolving Fund to ensure self-sufficiency
- strengthen collaborative alliances with the provincial regulatory bodies, the horse-racing industry and international jurisdictions

Key Results

- supervised wagering activities at racetracks and betting theatres across the country; oversaw wagering activity during the running of 3,010 individual race-days; all licensed betting theatres were inspected at least once in the year. CPMA officers audited 119,171 betting pools (approximately 45 per cent) to ensure ongoing compliance with regulations describing pool calculation methodologies
- delivered the Equine Drug Control Program at 54 racetracks across the country; 52,648 urine and 1,718 blood samples were collected for horses that competed in 31,689 Canadian-run races on which pari-mutuel betting was conducted. These samples were tested for the presence of controlled substances
- provided photo finish and video race patrol programs at 38 racetracks (2,953 race days, 31,039 races)
- continued the successful transition from traditional auditing mechanisms to utilization of the automated Internal Control system, and by the end of the reporting period had completed more than 50 per cent of all auditing activity through use of the new system. This allowed for the CPMA to audit 45 per cent of all pay-out price; well in excess of the agency's 25 per cent target
- the Revolving Fund achieved self-sufficiency for fiscal year 2006-07
- a comprehensive review of the regulatory framework for supervising pari-mutuel betting on horseraces, including the regulations, policies and programs of the CPMA, was introduced to industry stakeholders and agency staff in Spring 2006 through a series of regionally-scheduled information meetings; a discussion document outlining the objectives and scope of the review generated submissions from all recognized stakeholders, including racetracks, horsemen's groups, provincial regulators, bettors, and CPMA staff
- continued to enhance federal-provincial relationships through regular interaction throughout the review process, and by active participation, including presentations and delivery of materials and information in international fora

Program Activity: National Farm Products Council

Overseeing, promoting and strengthening the activities of the Canadian Egg Marketing Agency, Canadian Turkey Marketing Agency, Chicken Farmers of Canada, Canadian Broiler Hatching Egg Marketing Agency, and monitoring the activities of the Canadian Beef Cattle Research, Market Development and Promotion Agency

Expected Results in 2006-2007:

- receipt of draft federal-provincial-territorial agreements by the three national agencies;
- levy collection system in place and progress on a check-off for imports of beef and beef products;
- action plan to respond to proposed changes to the regulatory framework; and
- continued implementation of the Government of Canada's Management Accountability Framework and further alignment with the framework.

Commitments in 2006-2007


- complete the renewal of federal-provincial-territorial agreements for the egg, turkey and broiler hatching agencies
- work with the Canadian Beef Cattle Research, Market Development and Promotion Agency to implement a national levy collection system on inter-provincial marketing and imports
- engage national agencies and stakeholders in discussions on WTO Agreement implications
- work with national agencies to promote more effective marketing of farm products
- examine productivity and innovation in the poultry and egg sectors
- implement modern management practices in step with Government of Canada's Management Accountability Framework

Key Results

- resumed work on the federal-provincial agreement for table eggs; neared completion on the revised agreement for broiler hatching eggs
- continued implementation of a levy collection system on a national basis; legal infrastructures in all Western provinces finalized and implemented
- monitored developments of the WTO negotiations and initiated several meetings with the executives of the four national marketing agencies to raise awareness on potential implications of these negotiations on the Canadian Supply system and discuss next steps and strategies
- worked with the executives of the four national marketing agencies on a regular basis to discuss ongoing challenges, opportunities and potential options in facilitating the marketing of agri-food products
- completed the 2006-07 Departmental Staffing Accountability Report (DSAR)
- received several training opportunities and took a proactive role in implementing fundamental guiding principles, approaches and tools such as reaffirming organizational and Public service values as part of day to day operations, focusing on people and citizens and aligning staffing practices with the new PSEA
- set key organizational objectives focused on results and performance with strategic performance and learning agreements for all has also been at the forefront of management practices
- improved linkages between the HR plan and organizational objectives

Our Management Framework

AAFC conducts its operations with the accountability, transparency and oversight called for in the Federal Accountability Act and Action Plan and associated federal government measures. These measures include streamlining financial management policies, strengthening access to information legislation, reforming the procurement of government contracts, strengthening auditing and accountability within departments, and ensuring a fair, economical and efficient delivery of grants and contribution programs.

The department places a high priority on management excellence and has been actively engaged in the Treasury Board Secretariat's Management Accountability Framework (MAF)  since its inception in 2003. It is used by the Government of Canada to assess the performance of departments in key management areas – from financial to people management, from assigning accountabilities to reporting results.

In 2006-07, the department made considerable progress towards achieving the expectations of the MAF. The major accomplishments are as follows.

Portfolio Management

In 2006-07, AAFC, together with its portfolio partners, continued to implement a portfolio approach to major issues and policies. The ongoing development of the next generation of agriculture and agri-food policy was a turning point for the establishment of a portfolio approach to policy prioritization and design. AAFC worked in close collaboration with its portfolio partners at all stages of the process in 2006-07, demonstrating a commitment to strategic, proactive and inclusive portfolio engagement. This partnership will continue as the department moves towards implementation of the *Growing Forward* vision.

Accountability

In keeping with enhanced Government of Canada policies designed to ensure sound financial comptrollership within federal departments, AAFC implemented the Chief Financial Officer (CFO) model in 2006-07. The CFO is accountable for managing financial risks within AAFC, understanding

the financial implications of decisions before they are taken, reporting on financial results, and protecting against fraud, financial negligence, violation of financial rules or principles, and losses of assets or public money.

AAFC also worked in 2006-07 to meet stringent new internal audit guidelines released by the Comptroller General of Canada. The department's Chief Audit Executive (CAE) is responsible for overseeing and promoting professional conduct of internal audits. The CAE provides independent, objective information and assurance on the effectiveness and adequacy of the department's governance, risk management and control processes, including assessing controls over financial management and financial reporting. The CAE also serves as the Director General of the Evaluation function which is responsible for the evaluation of all departmental programs and activities.

The Office of the Comptroller General audit on financial delegation cited AAFC as having best practices related to financial controls under Section 33 of the Financial Administration Act. In addition, AAFC has initiated a project intended to ensure that the departmental financial statements are auditable. These efforts will result in a strengthening of overall financial controls enhancing the ability of the CFO to meet accountabilities for financial management.

People

AAFC continued in 2006-07 to make progress towards full integration of human resources and business planning. HR plans were developed for 12 departmental branches for 2006-07, each having a three-year horizon. The components of the HR plans articulate and forecast the business needs for each branch and ensure these needs are met through proactive people management strategies. A corporate HR plan was also developed that identified core challenges facing AAFC and documented strategies to ensure the department could successfully achieve its business priorities. Five key action areas were identified through the corporate plan: staffing, official languages, employment equity, learning and development, and succession management.

In conjunction with business planning, considerable progress was made in 2006-07 toward developing tools to operationalize these key areas in a consistent and effective manner across all branches. For example, the operational staffing plan uses generic full-time-employee data extracted from the business planning process as a baseline for forecasting future planned staffing actions. This enables AAFC to ensure all new staffing actions correlate to future business requirements.

Through branch HR Plans, the language training needs of employees were identified to ensure compliance under the Public Service Official Languages Exclusion Approval Order (PSOLEAO) for employees who were appointed through a non-imperative staffing process. The HR plans also take into account the language training needs of the feeders groups. As such, about \$1 million per year has been set aside for language training for employees who occupy unilingual positions. By being proactive in our approach to language training, we are increasing the bilingual capacity of the department.

Another important initiative at AAFC is the Aboriginal Student Outreach Program, designed to increase interest and opportunities for Aboriginal students in science and science-related agricultural studies. Further expansion of the program took place in 2006-07. Outreach included expansion of the Aboriginal Student Employment Program (ASEP). This program fosters relationships with Aboriginal communities and adjacent research centres and, more importantly, provides opportunities for education and employment in science for Aboriginal students. In 2006-07, more than 35 Aboriginal students were hired, mostly in research positions, in nine locations across the country.

Linked to ASEP is the Aboriginal 4-H Pilot Projects program, designed to stimulate interest among Aboriginal students not currently participating in ASEP. In 2006-07, a partnership was formed between AAFC and Aboriginal 4-H. The purpose of the project is to have ASEP students employed at research centres link with Aboriginal 4-H youth through various communication channels and events further increasing interest and opportunities for Aboriginal students in science and science-related agricultural studies. AAFC also partnered with Service Canada on the Greenhouse Food Production Agricultural Training and Employment Project. This initiative

resulted in the hiring of 13 Aboriginal youth who are training to be certified greenhouse producers. In addition, AAFC collaborated with other science-based departments in supporting efforts of the Canadian Aboriginal Science and Technology Society (CASTS) through the Interdepartmental Working Group on Aboriginals in Science and Technology. AAFC and eight other science-based departments collaborated with CASTS' aim of increasing the representation of Aboriginal people in science and technology education and employment in Canada.

With respect to service delivery, AAFC is at the forefront in the lead-up to the new Public Service Employment Act (PSEA), with policies in place prior to the coming into force of the PSEA, managers having received sub-delegated training and additional training delivered to more than 1,100 employees and managers. AAFC has also optimized collective and pooled staffing to increasingly sophisticated levels of implementation and is maximizing technology to support the implementation of new staffing processes while taking advantage of flexibilities in the new PSEA.

A targeted and strategic marketing and communications campaign was key to the success of the Post Secondary Recruitment Program, which focused on revamping the image of the department, while resonating with the target audience – graduate and undergraduate students at universities across the country. The challenge in developing the communications materials was promoting AAFC as a workplace with diverse career opportunities, without ignoring its agricultural roots. The campaign slogan, *Grow With Us*, played on these roots, however the marketing material itself focused on the business of agriculture. A brochure titled *Top 5 Reasons to Pursue a Career at AAFC* was developed, along with such marketing products as a web site, employee profiles, a recruitment video, and posters. The communications approach and the slogan were popular with potential recruits, and contributed to the overall success of the recruitment strategy, under which 15 universities were visited, and 30 job offers were made to candidates. This exceeded the goal of five universities visited, and 20-22 jobs filled.

The department has also made several advancements within the information management area. These include the implementation of the Nakisa Organization Charting Tool, which assists in day-to-day operational staffing and classification activities; the pilot of the Business Intelligence tool, which focused on automating the production of demographic dashboards and employment equity and official languages metrics; and the deployment of AgriDOCs across the Human Resources Branch, which initiated implementation of the departmental standard for electronic document management systems.

Financial Management

On April 1, 2006, the Financial Matrix Management Model (FMMM) established the basis for an improved financial control framework at AAFC, by putting in place branch financial management in support of results-based management by teams. In the fall of 2006 additional tools were provided to managers in support of FMMM, which integrated financial and results-based information, as part of the 2007-08 departmental business planning and strategic decision making process.

Strategic Planning

In 2006-07, AAFC's strategic planning process addressed all six interdependent components of strategic visioning, business planning, human resource planning, resource prioritization, in-year management, and performance management. However, the results were mixed.

As a consequence, the department identified key areas for improvement, such as realistic multi-year notional allocations, top-down priority setting and clarifying accountabilities, to ensure a more integrated, thorough and flowing process. This is expected to provide better information to be used in informing decision making for the long-term and throughout the upcoming fiscal year.

Emergency Preparedness

The Emergency Management Act states that every Minister is accountable to Parliament for: 1) developing plans for risks that are within or related to their area of responsibility; 2) implementing plans when requested, to support other government departments or provinces and territories; and 3) conducting training and exercises

to develop and test plans. As part of its co-ordinating role mandated under the *Emergency Management Act*, Public Safety Canada is developing the Federal Emergency Response Plan (FERP) which is an all-hazards emergency management response structure, framework and concept of operations for the co-ordination of federal departments and agencies during events impacting on the national interest. It outlines ministerial responsibilities in the form of 14 Emergency Support Functions. Portfolio organizations have also played a key role in the working group on Emergency Preparedness and portfolio organizations are part of current emergency response plans.

Under FERP, the Minister of Agriculture and Agri-Food is responsible for an Emergency Support Function – the co-ordination of agriculture, agri-food and other food related matters – as part of the federal government's response to an event of national interest. This Emergency Support Function is further divided into 13 Emergency Support Activities of which 11 are to be led by AAFC and two are under the leadership of the Canadian Food Inspection Agency.

To fulfill the Minister's emergency management responsibilities in 2006-07, AAFC developed the National Disaster Assistance Framework (NDAF), which focused on the department's emergency support functions. However, the externally focused NDAF did not provide a means to manage an internal emergency. To address this shortcoming, AAFC is revising the NDAF and creating the Emergency Management Framework. This will provide guidance for the management of external national-level emergencies as well as internal emergencies affecting the department's premises and employees. The Emergency Management Framework will also incorporate a Portfolio approach to emergency preparedness. This all-hazards emergency management approach will strengthen the department's ability to provide assistance to provincial, territorial and international agencies and co-ordinate responses to emergencies.

The Government Security Policy (GSP) states that all federal departments must establish a business continuity planning program to provide for the continued availability of critical services and assets.

AAFC has been instructed by Public Safety Canada (PSC), in conjunction with the Treasury Board Secretariat, to develop robust and functional Business Continuity Plans (BCPs) that recognize and protect those critical services that are considered to be a priority for Canadians and the agri-food sector. Furthermore, PSC has been specific that AAFC is to develop pandemic influenza emergency plans based on completed, approved and tested departmental BCPs. To this end, in 2006-07 BCPs were completed by all branches for critical services that require recovery within 0-4 hours and 5-24 hours.

Although AAFC is well ahead of most other departments in completing BCPs, challenges still exist. There is a need to renew and clarify the role of senior management in the oversight and completion of BCPs in the department. Also, the BCP process is an evergreen one that requires dedicated staff and resources for long-term success. AAFC continues to work to meet these challenges.

Citizen-focused Service

AAFC is committed to a client-focused approach to service delivery, and achieving measurable improvements in response to client expectations. Guided by the Integrated Service Delivery Strategy, in 2006-07 the department:

- assessed client satisfaction to better understand clients' experiences, channel preferences and improvement priorities. AAFC completed a producer client satisfaction survey using the Common Measurement Tool to establish a series of baseline measures of service satisfaction which can be tracked at regular intervals. The results of this survey will be used to help AAFC monitor its performance, set service delivery priorities and better understand the service experience of producers, as well as provide a road-map for service improvement.
- created an electronic repository of service offerings across the department. This service knowledge base has helped increase understanding of service delivery within the department and can now assist with the identification of areas where further work could be done to enhance the client experience and improve the overall management of services;
- made significant progress in improving its Web presence through the launch of a renovation project for AAFC Online (www.agr.gc.ca), to integrate AAFC's more than 80 Web sites into a single departmental site, with consistent navigation, look and feel, and renew its content. The new site was created based on client consultation through numerous rounds of focus testing. Recommendations from the focus groups allowed AAFC to tailor the site to its audiences' needs. Major improvements to date are segmenting information based on the primary client groups of the department and their information needs through the creation of *client lanes*, new methods of navigation, improved search functionality and implementing Web best practices such as grouping information by subject, simplified labels and language to make the site more intuitive for users. AAFC has also been piloting new communications methods via the web, for example through the use of an integrated subscription service and audiocasting;
- built the core components of an Enterprise-Wide Data Model, including Common Tombstone (Party and Location, e.g. name and address) and Security. This is a foundation project designed to simplify business processes and improve client satisfaction, by collecting client information once and reusing it. Modelling data elements and their relationships, and implementing the standard use of the model, will convey such benefits as enabling pre-population of forms, simplifying user-initiated changes to personal information, increasing privacy and security through identity management, and allow personalization and customization of service offerings;

- as part of an ongoing effort to enhance access to information, programs and services, strengthened its capacity to provide on-line services by launching My AAFC Account (MAA), to complement the more traditional service channels of telephone, in-person and mail. MAA gives producer clients the ability to conduct the following activities in a secure environment through the integration with the Government of Canada Secure Channel infrastructure:
 - review the personal information they submit to the federally delivered Canadian Agricultural Income Stabilization (CAIS) administration;
 - check the status of their accounts to find out if their applications have been processed and find out when they will receive payments, and;
 - submit their 2006 CAIS Supplementary Form electronically, or have it submitted by a designated representative.

MAA was the first departmental application to implement the new design of the AAFC Web Renovation Project's *Common Look and Feel*, the consolidation of all departmental Web sites into a single, client-focused Web presence. It is accessible through the *Producer Lane* of AAFC Online.

My AAFC Account is also a support mechanism for AAFC telephone service representatives to better assist clients through the Winnipeg Contact Centre.

Also in 2006-07, AAFC began implementing a common Grants and Contributions Delivery System with the purchase of commercial off-the-shelf software and implementation services to enhance access to information programs. A Common Business Process Framework for grants and contributions program delivery was developed based on a best practices model and a Key Controls Framework based on the Government of Canada Policy on Transfer Payments. Installation of three programs was initiated as well as integration to the Departmental SAP Financial system. Work is ongoing to implement additional programs, complete the financial system integration and link the system to Secure Channel to provide enhanced security features.

Internal Client Services

In August 2005, Treasury Board approved AAFC's Long-Term Capital Plan (LTCP). The LTCP demonstrated how the department would manage its assets within its approved existing reference levels. The LTCP also included options that, with additional funds, would enable AAFC to address departmental priorities in a timely manner. In 2006 the department was successful in re-directing \$10 million into its capital budget for 2006-07, which allowed the acceleration of planned legislative projects and the support of high-priority science projects.

AAFC also continued in 2006-07 to contribute to the Government of Canada's Corporate Administrative Shared Services (CASS) initiative. This initiative aims to improve effectiveness and efficiency of administrative services by developing government-wide information management and information technology systems, streamlining and standardizing administrative practices and processes, and ensuring access to information for better management of government, and provide the best service and value to Canadians. AAFC has agreed to participate in the CASS Pilot Implementation Project, to evaluate the benefits of a shared services model. As a current provider of financial and human resource systems services to portfolio partners as well as to other departments, AAFC and its clients are uniquely positioned to offer lessons learned and successful practices to the CASS organization.

Information Management

AAFC has developed a long-term comprehensive information management and information technology strategy, known as the IM/IT Strategy, Roadmap and Investment Plan. This strategy identifies the context, business drivers, key targets, recommended approaches, and planning considerations to best use information technology to meet business challenges.

The business priorities of AAFC are refreshed annually through an internal client consultation process. The IM/IT Strategy, Roadmap and Investment Plan also helps guide continuing investments in technology and best practices and AAFC's strategic approach to integrated systems and common services.

AAFC has introduced a client-driven IM/IT governance framework, with a view to reviewing and prioritizing IM/IT activities on an annual basis and ensuring investments remain aligned with departmental and government-wide priorities. The results of this exercise are used to update the IM/IT Strategy, Roadmap and Investment Plan. AAFC has undertaken an extensive update of the IM/IT Strategy, Roadmap and Investment Plan (2004-09) to review and revise the strategy to ensure that it meets evolving departmental and government priorities. The updated strategy will position AAFC IM/IT to better meet the business needs to deliver on the key activities of the new agriculture policy framework.



Analysis of Performance by Strategic Outcome

Introduction

The agriculture and agri-food sector affects the lives of every Canadian and influences the country's success economically and socially.

The entire agriculture and agri-food system, or value chain – including primary farming, processing, distribution, and retail services – provides one out of every eight jobs in Canada, and accounts for about \$130 billion in annual retail and food service sales, including almost \$28 billion in exports. Canada is the world's fourth-largest agri-food exporter, behind the European Union, the United States and Brazil. Altogether, the sector is responsible for about eight per cent of Canada's total Gross Domestic Product.

The sector plays an equally important role socially, helping maintain Canada's rural communities and the rural way of life. The hard-working people, families and communities that make up Canada's farming and rural landscape continue to be at the heart of this proud and productive industry.

Canada's food system is one of the safest in the world, and the country's food and food products are recognized internationally for their quality. Indeed, Canada has built a strong reputation for products consumers can rely on. Today, consumers everywhere are calling for stronger assurances that their food is wholesome and safe. Canada puts safety first, and AAFC works with the Canadian Food Inspection Agency (CFIA), the Canadian Grain Commission (CGC), Health Canada, and industry to emphasize safety in every step of the food-production process. At the same time, the department strives to provide producers with a more secure operating environment, one in which they can manage the risks inherent in farming, to run stable and profitable businesses.

AAFC is working hand-in-hand with industry to make Canada the world leader in using environmental resources wisely. Long-term sustainability means developing and adopting smart technologies and farm-friendly solutions that protect the diverse ecosystems on which the country's future depends. It also means balancing protection with robust production, developing new green products to serve consumers' needs and wants, and helping rural communities grow and prosper.

To ensure its success in the future, Canada's agriculture and agri-food sector will need to develop and adopt new research and technology that will help drive innovation in areas where the country can claim a competitive advantage. Skills and business practices within the sector will need to be enhanced. Ties with the economic development, energy, health, biosecurity, and environment agendas will need to be strengthened.

While the future of Canadian agriculture is promising, ensuring it can realize its potential tomorrow means making sure it can cope with the pressures of today.

In 2006-07, the Government of Canada committed to ensuring the country's agriculture and agri-food sector has the tools it needs to continue to succeed in the future, while also providing it with a firm base for the present.

The department's performance accomplishments for 2006-07 are described in detail in the remainder of this section under program activities that contribute toward the department's three strategic outcomes:

- Security of the Food System;
- Health of the Environment; and
- Innovation for Growth.







STRATEGIC OUTCOME 1: SECURITY OF THE FOOD SYSTEM

Program Activity: Business Risk Management

Business Risk Management – 2006-2007

Actual Spending (Net) \$ Millions	Full Time Equivalents
2,438.5	1,150

The intent of BRM programs is to help producers better manage risk using a range of options, leading to greater profitability. By mitigating risk, producers can also focus on seeking out new opportunities to strengthen their ability to produce safe food and agri-products for Canadians and consumers around the world.

Two national farm-income risk-management programs are available to help producers deal with income fluctuations. These core programs are the Canadian Agricultural Income Stabilization (CAIS)  program and Production Insurance (PI) . These programs are complemented by province- and territory-based programming, the Private Sector Risk Management Partnerships (PSRMP)  program, cash advance programs including the Advance Payments Programs (APP)  and the Spring Credit Advance Program (SCAP)  – which became the Enhanced Spring Credit Advance Program during 2006-07  – and other ad hoc and pilot programs.

Details of Performance

The expected results for the department's BRM program activity in 2006-07 were:

- producers better supported and able to manage business risks;
- increased producer capacity to manage operations (cashflow) throughout the production year;
- increased business planning and skills development among low income farm families; and
- increased sector viability and profitability.

Expected Result:	Producers better supported and able to manage business risks
Status:	Met

AAFC works on an ongoing basis to ensure Canada's agricultural and agri-food producers are best able to manage the many risks associated with farming in Canada. In 2006-07, the department worked with the provinces and industry to adjust BRM programs so they meet the needs of producers and are more responsive to changing market and production conditions.

Sub-Activity: Canadian Agricultural Income Stabilization

The CAIS program integrates stabilization and disaster protection into a single program, helping producers protect their farming operations from both small and large drops in income. It is a whole-farm program available to eligible farmers regardless of the commodities they produce.

In 2006, the Government of Canada recognized that the CAIS program was not providing effective coverage to all farmers, due to a lack of responsiveness, timeliness and predictability, and that disaster relief assistance should be separated from CAIS. As such, over the course of 2006-07, the department and its partners made vast improvements to the margin-based program to better support producers, including:

- a new inventory valuation methodology, which improves predictability and timeliness;
- expanded negative margin coverage, which increases responsiveness;
- a targeted advance mechanism for disaster situations, which improves timeliness of payments; and
- administrative refinements, including simplifying the program and its on-line services.

Also, help with the transition to the new program, AAFC implemented the \$900 million CAIS Inventory Transition Initiative (CITI) under which the new methodology was applied retroactively to the 2003, 2004 and 2005 program years and payments were made to producers based on any benefit the new methodology would have produced.

Producer Savings Account

Also in 2006-07, the Government of Canada announced its intention to pursue a producer savings account program with the provinces that would replace the coverage for small income declines currently offered under the margin-based CAIS program. Agriculture ministers have agreed to consider the concept for the 2007 program year.

Disaster Relief Framework

To meet the government's commitment to create a separate disaster relief program, AAFC also developed, in conjunction with the provinces, a disaster relief framework, designed to provide structure and consistency to when and how governments respond to disasters. While agriculture ministers continue to consider the framework as part of the new BRM programming suite under the next generation of agriculture and agri-food policy, the framework principles and guidelines were used to implement the Golden Nematode Payment Program, which provides \$1.5 million to producers in St. Amable, Quebec affected by the discovery of potato nematode.

Sub-Activity: Production Insurance

In 2006-07, a federal-provincial task team reviewed the Production Insurance program. The review identified options for expanding coverage for livestock, fresh horticulture, and forage, options for linkages between Production Insurance and the Canadian Agricultural Income Stabilization Program, and an overall assessment of program equity of producers across provinces.

The development work for livestock insurance, including analysis of coverage options for swine, continued in 2006-07, with implementation targeted to begin in 2008 in potentially three provinces. With the development in 2006-07 of acreage loss plans for horticulture crops in Ontario and New Brunswick, six provinces will soon offer coverage for horticulture crops under Production Insurance. Options for improved forage protection continue to be developed.

The 2006-07 year marked the first time all provinces were required to be in compliance with the Production Insurance funding levels identified in the program's Implementation Agreement. This requirement ensures all participating producers across the country pay an equitable share of premiums into the program.


In total, governments pay about 66 per cent of the costs of Production Insurance. In 2006-07, government contributions were \$569 million, which was shared on a 60/40 basis between the federal and provincial governments. Producers paid premiums totaling \$274 million.

Total coverage across Canada increased to \$7.667 billion in 2006 from \$7.227 billion in 2005.

An environmental assessment of Production Insurance is required for the 2006-07 fiscal year. AAFC expects to have the assessment completed by December 31, 2007.

Sub-Activity: Disaster Programs

Cover Crop Protection Program

This \$90-million pilot program for producers in all provinces with unseeded acreage in 2005 and/or 2006 due to excess moisture was developed for delivery in 2006-07 by AAFC's Prairie Farm Rehabilitation Administration . The program helps producers with the costs of implementing best management practices to prevent soil erosion on land that could not be seeded to a commercial crop due to excess soil moisture. Program payments and administration costs totaled about \$82.6 million based on just over five million eligible unseeded acres.

Sub-Activity: Risk Management Programs

Private Sector Risk Management Program (PSRMP)

In September 2006, PSRMP held a forum entitled *Showcasing Risk Management Innovations*. The forum was attended by 135 representatives, including those from national and provincial agricultural organizations, domestic and international financial services industry, and federal and provincial governments, as well as the European Commission, the United States Department of Agriculture and the Australian Department of Agriculture, Fisheries and Forestry.

Specific outcomes of the forum include: improved agriculture-financial services industry (FSI) networking through an expanded range of FSI contacts available to projects, and, improved visibility for AAFC's activities in engaging and expanding the private sector's participation in agricultural risk management.

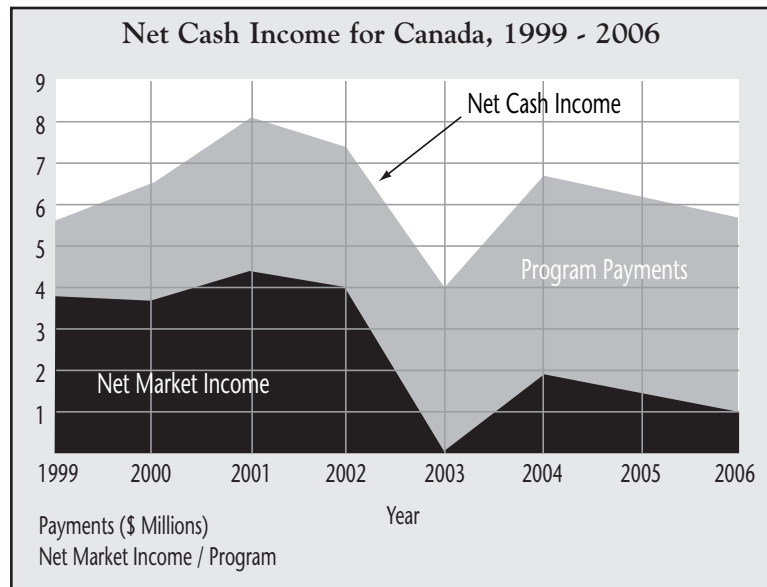
Five new Production Insurance contribution agreements, worth \$1.6 million, were signed in 2006-07, allowing progress to continue on risk management research and development projects. In addition, 10 contribution agreements were signed with existing PSRMP clients to enable the project proponents to proceed with subsequent phases of their approved activities. Of these 10 contribution agreements, six are focused on plant or animal insurance tools, two are investigating financial risk management tools (e.g. agricultural clearing house and a private sector advance payments-type program) and two are risk assessments (bio-security protocols for the poultry services sector and an assessment of financial liability related to On-Farms Food Safety program participation).

Expected Result:	Increased producer capacity to manage operations (cashflow) throughout the production year
Status:	Partially Met

Historically, farm income varies with changing market prices and input costs, and production is often impacted by disease and weather events. Net Cash Income (NCI) is one measure of farm income and is defined as farm cash receipts (including program payments) less operating expenses, but excluding depreciation and change in the value of on-farm inventories. NCI has been trending downward since 2004, as seen in the table below. In 2006, NCI fell 12.7 per cent from 2005, and was down to 82.6 per cent of the five-year average.

The purpose of government program payments is to stabilize farm income variability, thus assisting producers in operating variable enterprises. Program payments in 2006 totaled \$4.6 billion, as reported on a cash basis, and represented 82.7 per cent of NCI. Clearly, program payments play an important role in stabilizing

producer income and maintaining viability of farming operations. The table below shows NCI and program payments in Canada (1999-2006).



Because declining farm income is a persistent challenge for the Canadian agriculture and agri-food sector, government efforts and investments in stabilizing and assisting the sector are critical. In 2006-07, AAFC worked to ensure Canada's farmers and farm families can make a living on the farm and remain in the sector, for their own benefit and for the benefit of all Canadians.

Sub-Activity: Canadian Agricultural Income Stabilization

The CAIS program, along with Production Insurance, is part of the core of BRM programming designed to help stabilize producers' income. CAIS payments are issued when current-year farm income (production margin), including Production Insurance payments, is less than the average farm income from previous years (reference margin). As CAIS payments are based on tax information, there is a lag in program payment calculations; the 2004 year is the last program year for which program payments have been finalized. CAIS program payments related to the 2004 production year totaled \$1.42 billion, and allowed producers who qualified for a payment to raise their income from 60.2 per cent to 85.3 per cent of their reference margin.

Among the improvements made to the CAIS program in 2006-07 was the replacement of the previous deposit requirement with a fee. This has removed a significant financial irritant for producers, and helped ensure they can continue to cost share in the program. Governments involved in the CAIS program also changed the program's rules to provide coverage for more producers with negative margins and adjusted the method for inventory valuation which now reflects losses in inventory values due to declining commodity prices in a producer's benefit.

These two changes to the program rules have made the CAIS program more responsive during periods of price declines.

Further increasing program responsiveness, a targeted advance payment feature was added to the program, allowing CAIS to provide rapid assistance in times of serious income declines without producers having to apply. Additionally, administrations have taken steps to make the final application process easier for producers by making greater use of technology, including e-filing initiatives and on-line accounts, as well as improved program calculators which help a producer to estimate a potential program payment. This has been complemented by the introduction of national service standards and late filing options which provide producers with more flexibility in meeting program requirements and more predictable turnaround times.

Sub-Activity: Grains and Oilseeds Payment Program

This \$755.8-million federally funded program was introduced late in 2005-06 to assist Canadian producers of grains and oilseeds in dealing with the severe economic hardships they are facing. The remaining \$315 million in program payments was distributed to producers in 2006-07. The program is now complete.


Sub-Activity: Disaster and Financial Guarantee Programs

Advance Payments Program

Ensuring cash flow at both ends of the growing season can be a challenge for many farmers. Low returns have made it hard for many producers to secure operating lines of credit prior to seeding. At the other end of the season, cash flow after harvest can be a critical factor


for producers faced with short-term financial commitments who want to store crops and sell them throughout the year to achieve higher returns. To deal with these challenges, AAFC provides producers with cash advance and financial guarantee programs throughout the crop year.

Prior to 2006-07, the cash advance programs were delivered under the Advance Payments Program (APP) and the Spring Credit Advance Program (SCAP). With the increasing demand from Canadian producers for cash advance programs that reflect the true cost of operating in today's competitive markets, these cash advance options were modified through legislative changes in 2006-07 as planned.

Legislative changes to the Agricultural Marketing Programs Act (AMPA)  were announced in May 2006. The changes included the amalgamation of the SCAP and the APP into a new program which increased the maximum advance to \$400,000, with the first \$100,000 interest-free. The program was also broadened to cover livestock and more crops, and to provide a longer repayment period, allowing producers to make repayments when it suits them within an 18 month period, giving them the opportunity to yield higher returns on their agricultural products. The changes to AMPA received royal assent in June 2006 and came into effect in November 2006.

The APP Electronic Delivery System was successfully launched in 2006-07 to better allow the tracking of advances and also to improve the exchange of information between producer organizations delivering the program and AAFC.

Enhanced Spring Credit Advance Program

The Enhanced Spring Credit Advance Program (ESCAP)  was announced in May 2006 as a transition toward the success of the legislative change to the AMPA. The program increases the interest free provision from the \$50,000 that was available under the old SCAP, to \$100,000 per applicant, with a repayment period extended up to September 30, 2007. As of March 31, 2007, \$988.4 million was advanced under the program to 28,469 Canadian producers.

Farm Improvement and Marketing Co-operatives Loan Act

The Farm Improvement and Marketing Co-operatives Loan Act (FIMCLA) program provides producers with increased access to loans for farm improvements and supports access to capital for agricultural co-operatives. There were 1,797 loans registered during the 2006-07 fiscal year, totaling \$63.7 million. This represents a 15.6 per cent reduction in the number of loans registered compared to 2005-06 (2,128), and a reduction in total value of 14.4 per cent (\$74.5 million).

National consultations on the FIMCLA were completed in 2006-07 as planned, with all stakeholders, including farmers, financial institutions and marketing cooperatives, providing input on potential changes to the program. Discussions were held on expanding the FIMCLA program to include beginning farmers (including inter-generational farm transfers), expanding the program to allow more flexible eligibility rules for cooperatives, increasing the aggregate loan limits for farmers and cooperatives, increasing the eligible rate of loan amount and modifying the registration fee to incorporate different risk categories and amounts of loans.

Participants reiterated their strong support for the continuation of the FIMCLA program but underlined the importance to adapt it to today's farmers' needs. Some of the issues identified by participants included:

- the current aggregate loan limits are too low;
- the eligible loan rate of 80 per cent should be increased;
- the 100 per cent farmer requirement for co-operatives should be eliminated
- lack of awareness of the program exists; and
- there is too much of an administrative burden for financial institutions administering the program.

Price Pooling Program

The Price Pooling Program provides a price guarantee to marketing agencies for agricultural products. The guarantee protects the marketing agencies and its producers against unanticipated declines in the market price of their products. During 2006-07, six agreements were signed with marketing agencies, offering a total

guarantee amount of \$74.4 million to an estimated 18,290 producers. This results in a reduction from the 2005 crop year, in which a total guarantee amount of \$85.5 million was offered to an estimated 20,036 producers.

Expected Result:	Increased business planning and skills development among low income farm families
-------------------------	---

Status:	Partially Met
----------------	---------------

Sub-Sub-Activity: Canadian Farm Families Options Program

This pilot program, announced in Budget 2006, provides \$550 million over two years to help lower-income farm families explore options to raise their income for the future and provide short-term income support to lower-income farm families. Part of the delivery of the program was completed in collaboration with Farm Credit Canada through a memorandum of understanding. Changes to the second year of the program reduced the original budget of \$550 million to \$303.3 million. Eligible applicants receive a payment to bring them to a maximum income of \$25,000 for families and \$15,000 for individuals if they have a commercial farm. To receive a second year payment, a participant must have completed or be in the process of undertaking a business planning and skills development program.

It is still too early in the program's life to accurately determine its impact. The program is progressing as planned, although the number of funding recipients enrolled in business planning and skills development programs is lower than targeted. These factors have contributed to a performance rating of *Partially Met*.

Detailed performance information for this program is available under the Innovation for Growth Strategic Outcome on page 65.

Expected Result:	Increased sector viability and profitability
-------------------------	--

Status:	Partially Met
----------------	---------------

AAFC's approach to ensuring the agriculture and agri-food sector is viable and profitable involves ensuring producers and all industry stakeholders have access to the tools they need to be successful.

The reality is that the global agriculture business has changed significantly in recent years. When you add that fact to the ongoing production risks for farmers, profitability for the Canadian sector remains a challenging goal. Recent farm income figures support this: despite the best efforts of governments, industry and producers, net cash income for Canadian farmers fell for the second consecutive year in 2006. Rising interest, wage and fuel costs, together with falling hog receipts and program payments, more than offset increases in revenue from crops and cattle. For this reason, this result was *Partially Met* in 2006-07.

Through Budget 2006, the Government of Canada invested an additional \$1.5 billion in agricultural programming. This was comprised of \$1 billion to assist producers with the transition to the business risk management programming, through the Canadian Agricultural Income Stabilization (CAIS) Inventory Transition Initiative, and \$500 million for measures designed to improve the long-term viability and profitability of the sector. The latter included measures to assist industry in responding to disasters, investments to help producers participate in the emerging bioeconomy, and assistance to help low-income farm families improve their circumstances.

Sub-Sub-Activity: BSE programs

In 2006-07, AAFC continued to implement measures and programs to deal with the impacts of BSE on the beef industry. The department's efforts included, most notably, work to fully re-open the U.S. border to live Canadian cattle, increase domestic slaughter capacity, assist in adapting to enhanced feed ban regulations and improve traceability across the livestock and meat value chain (discussed in the Food Safety and Food Quality Program Activity below).

Announced in June 2005, the Ruminant Slaughter Equity Assistance Program and the Ruminant Slaughter Facility Assessment Assistance Program contributed to the success of producer-led projects by providing equity investments and assistance to undertake business and feasibility plans for the construction or expansion of slaughter facilities for beef and other ruminants.

In December 2006, a new program was designed to help the beef industry adapt to an enhanced feed ban by providing financial assistance for adequate specified risk material disposal.

AAFC's BSE recovery efforts have contributed to help the Canadian beef industry deal with the impacts of BSE by supporting measures to increase the viability and profitability of Canada's agriculture and agri-food sector.

Ruminant Slaughter Facility Assessment Assistance Program and Ruminant Slaughter Equity Assistance Program

The Ruminant Slaughter Facility Assessment Assistance (RSFAA) and Ruminant Slaughter Equity Assistance (RSEA) programs have been successful in increasing Canada's slaughter capacity by contributing to producers' investments in slaughter facilities.

Program documents indicate that federally regulated weekly slaughter capacity has increased from an estimated 73,140 head in 2003 to a projected 102,325 in 2007, implying a Canadian kill in excess of five million head annually. This is higher than the expected 4.5 million head of fed and non-fed cattle available for slaughter in 2007, which could be reduced by the number of live cattle that are exported. As a result, AAFC has suspended and cancelled the RSFAA and RSEA programs as sufficient slaughter capacity has been, or soon will be, established.

In 2006-07, the RSEA program funded the establishment of one new federally inspected slaughter facility and the expansion of two federally inspected slaughter facilities. It did not fund any projects to upgrade provincially inspected facilities to meet federal standards. The three projects approved total \$10.3 million in funding.

Despite the successes of these programs, some experts believe Canada now faces or risks an over-capacity situation, which could be exacerbated if export markets remove the ban on shipments of live cattle over 30 months of age. Program documents suggest that, in 2006, Canada was using 60 to 70 per cent of its slaughter capacity, and suggest that plants using less than 80 per cent of their capacity will face difficulties achieving profitability.

Ruminant Slaughter Loan Loss Reserve Program

In 2006-07, four projects were approved under the Ruminant Slaughter Loan Loss Reserve Program, for a total commitment of \$29.12 million of the \$41.7 million available through the program. Of that total, \$24.92 million has been disbursed to lending institutions involved with the projects. The planned slaughter capacity is 569,000 head per year.

Program Activity: Food Safety and Food Quality (FSQ)

Food Safety and Food Quality – 2006-2007

Actual Spending (Net) \$ Millions	Full Time Equivalents
66.8	451

Canada has a firm reputation as a producer and supplier of food products that are among the safest and highest quality in the world. The Government of Canada works with the provincial and territorial governments and portfolio and industry partners to uphold Canada's reputation for food safety, and ensure Canadians and other consumers continue to get the nutritious, high-quality food and food products for which Canada is known.

Under the FSQ program activity, AAFC provides policy direction, along with programs, services and tools for the industry to maintain Canada's solid international reputation regarding food safety and quality. These include an on-farm food-safety program, traceability initiatives, support for quality-control systems and data-management systems, and research and technology transfer.

Details of Performance


The expected results for the department's FSQ program activity in 2006-07 were:

- consumers confident about the safety and quality of food produced in Canada;
- industry able to meet or exceed market requirements for agri-food safety and quality, including animal and plant health;

- exposure to hazards reduced thereby protecting human health; and
- value-added opportunities for the sector through the adoption of food safety, food quality and traceability systems.

Expected Result:	Consumers confident about the safety and quality of food produced in Canada
-------------------------	---

Status:	Met
----------------	-----

In 2006, the results of a national survey  on consumer perceptions of food safety and quality were compared to those of a similar survey from 2004. While the findings cannot easily be attributed directly to AAFC initiatives, they are valuable from the perspective of Canada's agriculture and agri-food sector, and support the department's achievements toward maintaining and increasing consumer confidence.

- Consumers continue to give Canadian food top scores for freshness, taste and consistent quality and have marginally increased their perceptions of Canadian food as healthy;
- 92 per cent of Canadians feel that the quality of food produced in Canada is better in terms of quality than food produced in other countries;
- nearly all consumers are confident in the safety of our food supply, with four in 10 *completely confident* and more than half *somewhat confident*. This is a significant increase in confidence since 2004, when 3.5 in 10 said they were *completely confident* and an equal number *somewhat confident*;
- nearly half of all consumers now feel in control over what is in the food they buy than they did in 2004 – an increase of seven points – and fewer consumers report spending time worrying about the safety of the food they eat;
- managing animal disease ranks as the most important factor in maintaining consumer confidence in Canadian food safety, followed by managing the concern of hormones, antibiotics and chemicals on plants and in animals; and
- consumers continue to show little confidence in the ability of the Canadian food system to manage genetically modified organisms and the use of hormones, antibiotics and chemicals.

Sub-Activity: Policy Planning and Integration

In 2006-07, AAFC began work on a *national food quality policy* to provide a uniform approach to government decision-making, predicated on both public good and economic benefit. AAFC collaborated with its portfolio partners, the Canadian Food Inspection Agency and the Canadian Grain Commission, to develop a food quality policy decision-making process as a first step towards policy development. Work will continue in 2007-08 to develop a food quality policy consultations strategy including stakeholders from across the entire food system.

The department worked to enhance collaboration and oversight of food safety and quality activities performed under the APF. A federal-provincial-territorial working group provided the forum for ongoing discussion, sharing of information, and monitoring of activities and issues under the FSQ Chapter.

Sub-Sub-Activity: Traceability

A thorough and effective traceability system is an essential component in maintaining and advancing consumer confidence in Canadian agriculture and agri-food. In 2006-07, AAFC worked with the provinces, territories and agriculture and agri-food sector to accelerate the implementation of a multi-species traceability system including animal identification, premise identification and the tracking of animal movements.

Under the system, the tracking and tracing of livestock came into effect, beginning with animal identification for cattle and bison in 2001 and sheep in 2004. The system will manage all aspects of animal and product identification, and will include, by 2009, premises identification and movement data.

Below are some of the major achievements made on traceability in 2006-07.

Canadian Cattle Identification Agency (CCIA)

The CCIA received an incremental approval of funding of \$300,000 in 2006-07 as an amendment to an existing contribution agreement to integrate its old Cattle Tracking System with a new internet-based system called the Canadian Livestock Tracking System (CLTS). This new system was released in January 2006 and uses Radio Frequency Identification technology.

The system tracks age verification (AV), premise identification and movement and sighting, and has allowed for new value-added services to be added to further enhance the CCIA's traceability program. Since its release, the CLTS has provided the cattle industry with a reliable and integrated method of data retention to re-open and keep international and domestic markets open to Canadian beef exports. The system also assists the CFIA in locating physical locations of animals in the event of animal health or food safety crisis.

To date, the CCIA has allocated or sold more than 56 million unique ID numbers to tag manufacturers across Canada. Since the introduction of AV to the cattle industry, the CCIA has processed more than 202 million events within the system and recorded more than 3.7 million birth dates. AAFC, the CFIA and the CCIA are working together to conduct, review and evaluate the industry's AV program, as required by international markets to keep market access open to Canadian beef exports. As a result, AV audits have been carried out to ensure that the integrity of the information submitted to the database is sustained. This audit process began in December 2006 with the CCIA sending letters of intent to 478 randomly selected producers across Canada. The CCIA has reported a tremendous positive response to the industry's animal identification and traceability initiatives.

Canadian Integrated Traceability Program (CITP)

Under the CITP, 15 projects were approved for a total funding commitment of \$1.5 million (contracted \$600,000). Projects approved under the program support traceability pilot projects to accelerate the development, implementation and integration of traceability systems across the Canadian meat and livestock industry.

Canadian Livestock Identification Agency (CLIA)

CLIA was funded to develop a self-sustainable financial and management model for the agency and national standards for a comprehensive national livestock identification system. It would also make recommendations for the establishment of such a system.

The Business and Finance committee submitted funding model considerations based upon three levels of activities to the Board of Directors. In addition, the CLIA together with working groups from the Canadian Cattle Identification Agency (CCIA) and the Canadian Pork Council (CPC) developed a business structure and governance model for the Canadian Livestock Traceability System (CLTS) that will be presented to the CCIA and CPC.

In October 2006 the CLIA national Standards and Targets Working Group presented their review of Traceability Standards and Performance Objectives covering the following categories: overarching system standards, protocols and procedures, animal identification, premises identification and animal movement. There has been a significant amount of progress made by CLIA to build industry consensus on national standards that would form the basis for a Canadian Livestock Traceability System.

The total funding for the CLIA project is \$1.1 million. The expenditures so far have been \$300,000 in 2006-07 and \$400,000 in 2005-06.

Canadian Radio Frequency Identification Reader Program (CRFID)

The CRFID Reader Program is a reimbursement program with the objective to accelerate a comprehensive livestock tracking and tracing system in support of a traceability initiative. Applicants purchase an eligible radio frequency reader and then apply for a 50 per cent reimbursement for the costs of the reader and associated hardware and software costs – up to \$3,000 for panel readers and \$1,000 for handheld readers. Such support also encourages participation and reduces the costs of compliance and enforcement.

As of March 31, 2007, the CRFIP had reimbursed 125 applicants for \$100,000 of the total \$800,000 allocated to the program. On May 17, 2006, the program was extended to December 31, 2007, the list of eligible applicants was expanded to include commercial feedlots, truckers and community pastures, and applicants can be reimbursed for more than one reader.

Since the launch of the program in April 2005, 26 slaughter and processing plants, 23 sales barns, 42 veterinarians, seven schools, two dead-stock operators, and 25 commercial feedlots have purchased readers.

A communications plan has been developed to increase participation in the CRFID program.

Expected Result:	Industry able to meet or exceed market requirements for agri-food safety and quality, including animal and plant health
Status:	Mostly Met

Domestic and international market requirements for food safety and food quality are consistently high, with an increasing focus on getting the maximum health benefits from food. As detailed below, Food Safety and Food Quality programming has assisted industry in developing food safety systems, which will help maintain Canada's ability to provide safe, high-quality food products.

Sub-Sub-Activity: Canadian Food Safety and Quality Program

AAFC works through the Canadian Food Safety and Quality Program (CFSQP) to help the agriculture and agri-food sector meet the food safety and quality requirements of consumers. There are three components to the program: 1) Systems Development, which provides funding to help industry associations develop systems that form the foundation for food safety, quality assurance and traceability systems; 2) On-Farm Implementation, and 3) the Food Safety Initiative, both of which help increase the capacity of producers' and processors' to implement their systems and brand Canada as a supplier of safe and high-quality food and food products.

Systems Development (SD)

The SD component is made up of an On-Farm Element, Post-Farm Element, Traceability Element, and Food Quality Element. In 2006-07:

- under the On-Farm Element, 16 of 19 eligible industry organizations were at various stages of system development. Of those 16 organizations, 10 completed the first part of a three-part CFIA recognition process, two completed the second part of the process and the remaining four are in process. In total, 17 projects worth \$5.2 million were approved in 2006-07, compared to 12 projects and \$2.3 million in 2005-06;
- under the Post-Farm Element, 13 of approximately 28 eligible organizations participated and had systems at various stages of development. The 13 projects were approved for \$2.9 million in funding for 2006-07, compared to three projects and three project amendments worth \$440,000 in 2005-06; and
- under the Traceability Element, two projects worth \$650,000 were approved in 2006-07, compared to three projects and one project amendment worth \$700,000 in 2005-06.

The Systems Development component continues to face challenges, including:

- the average three- to six-year timeframe needed for a national organization to develop a food safety system. As national organizations began developing their food safety systems, there was a lack of expertise in this field. Organizations had to develop this expertise as they were developing these systems;
- the post-farm sector's lack of prior knowledge and expertise on Hazard Analysis Critical Control Point, which has meant systems have taken longer to complete than originally anticipated. When the program began, national post-farm associations did not have food safety expertise originally anticipated. This expertise had to be created and an awareness had to be built to encourage voluntary industry participation;

- the lack of a national industry association with staff dedicated to food safety to co-ordinate the efforts of the post-farm sector in developing food safety systems; and
- the lack of a government recognition process for the post-farm gate sector, as there is for the on-farm sector with the CFIA's previously mentioned three-step recognition process. The CFIA is currently exploring post-farm gate recognition. This will most likely be part of future food safety programming.

Overall, in 2006-07, the number of approved projects under the SD component of the CFSQP increased from 18 last year to 32 this year. The total amount of funding also increased – from \$3.4 million last year to \$8.8 million this year.

On-Farm Implementation (OFI)

Under the OFI component, four national commodity organizations offered workshops and technical support (services or equipment purchase) on food safety directly to farmers. Under OFI, two projects worth \$6.6 million were approved during 2006-07, compared to two project amendments approved in 2005-06 worth \$3.4 million.

There were two main challenges related to OFI for 2006-07, which resulted in lower program participation than targeted:

- for a national producer organization to apply for funding under OFI, it must first have developed an on-farm food safety system program, and completed the CFIA's technical review process and received a letter of completion of the process. On-farm food safety systems can take up to six years to complete. As the pool of expertise is developed, it is expected that the time period to develop a food safety system will decrease; and
- several eligible national commodity organizations have not applied for funding under OFI as they or their provincial delivery agents were not in a position or had the capacity to administer the OFI. Future programming will look at various options to ensure a seamless delivery and administration of OFI.

Food Safety Initiative (FSI)

Under the FSI component, consensus was reached among the joint federal, provincial and territorial food safety and quality working group in identifying the following priorities for the initiative:

- to support non-federally registered processing plants in developing food safety systems; and
- to conduct outreach and staff training to strengthen provincial food safety structures.

Financial assistance was provided to six provinces (B.C., Alta., Sask., Man., Ont., and N.S.) after Saskatchewan joined the FSI in August 2006, bringing approved funding under this component in 2006-07 to \$48.9 million from \$48.3 million in 2005-06. All six provinces listed above are involved in outreach activities aimed at improving Canada's food safety infrastructure by increasing the industry's awareness and knowledge of food safety systems.

Of the 4,840 non-federally registered processing plants in Alberta, Manitoba and Ontario, 553 projects were approved under the FSI in non-federally registered processing plants, and 25 pilot projects were approved by the provinces to date.

The fact that the FSI is not being delivered in all provinces remains a challenge. It is hoped that in future programming, all provinces would participate.

Expected Result:	Exposure to hazards reduced thereby protecting human health
Status:	Met

In 2006-07, AAFC conducted research and worked with its partners on other collaborative efforts to minimize the risk and impact of food-borne hazards on human health, and reduce the overall level of exposure to agri-food hazards. This helped enhance the ability of the agriculture and agri-food sector to keep the food system safe and produce quality food products for consumers.

Sub-Activity: Food Safety and Quality (FSQ) Science

AAFC's FSQ science program covers research and technology development in food safety, food quality and nutrition, as well as in food processing across several sectors such as meat, dairy, horticulture products, cereals, and processed food products. It is based on the use of innovative technologies and processes that contribute to safer and higher-quality food products.

Food Safety Science

The establishment and monitoring of food safety standards relies initially on the ability to detect and quantify food-borne hazards on the farm, in products, or during processing. Much progress has been made in this regard.

A new research program on allergen was initiated and received international recognition through Europreval, an EU-based large allergen research consortium, which accepted AAFC as a regular partner. This effectively gave Canada free access to the largest data bank of scientific information on allergens and allergenicity in the world. In addition, the effects of food processing on allergenicity of casein have been partially clarified.

Some examples of tangible benefits achieved for the industry and Canadians in 2006-07 include:

- a method to detect noroviruses in oysters was successfully used to investigate an outbreak linked to oyster consumption in B.C.;
- a method to detect mycotoxins was used to demonstrate that B.C. wines from late-harvested grapes were free from the mycotoxins ochratoxin A and tenuazonic acid, contrary to what was previously believed;
- a physico-chemical detoxification strategy for barley contaminated with the mycotoxin deoxyvalenol (DON) was developed;
- a bacterial strain was isolated from chicken gut that could detoxify material contaminated with DON, opening the way to a novel biological decontamination process;

- the pathogenic bacterial strains in feedlots, slaughterhouses and beef packing plants were partially mapped and are being characterized for their resistance to antimicrobials;
- bacteriophagic viruses, natural antimicrobials, probiotics, prebiotics, and competing flora are being tested as substitutes for the prophylactic use of antibiotics in animal feed, which would result in a decrease of human exposure to bacterial pathogens resistant to clinical antibiotics;
- Hazard Analysis Critical Control Points in meat packing plants and throughout the distribution system were characterized and a better understanding of the origin of *E. coli* contamination in beef was achieved; and
- methods were developed and tested for *E. coli* decontamination of fresh lettuce and alfalfa sprouts.

In addition, the APF helped encourage collaboration among partners in 2006-07, by bringing together complementary expertise and allowing for the integration of science in new standards and guidelines. For example, scientists at AAFC, CFIA, and Health Canada jointly created the Federal Food and Environment Virology Network. The network has yielded novel viral detection methods in food, with a first method already approved in Health Canada's compendium of analytical methods. This was recognized by the deputy minister of Health Canada in early-2007 as a significant achievement.

The scientific productivity of the food safety group is outlined in the following table:

Publications (scientific journals)	53 externally peer-reviewed publications and 28 externally peer-reviews abstracts out of a total contribution of 116 articles
Innovations	22 gene sequences, 10 improved processes, two improved products out of a total of 59 contributions
Technology Transfer	15 invited talks, 34 oral communications, 53 posters, 54 technical transfer, 15 reports out of 192 contributions
Co-operative Research	66 projects realized in collaboration

Challenges

The APF memorandum of understanding provided common inter-departmental objectives and kept AAFC on track to fulfill science objectives (virology, pathogenic bacteria, antimicrobial resistance, and chemical safety allergen,) underpinning the overall food safety outcomes. In 2006-07, AAFC hired two virologists – one each at the Lacombe and Guelph research centres – to increase capacity in food safety research. Three AAFC employees were sent for long term training to become scientists in the area of pathogenic microorganisms and will be coming back in 2007-08. Scientific expertise to fulfill some objectives are lacking in rapidly advancing areas such as allergen research and food safety processing. The department has initiated scientist staffing actions to address these needs.

Food Quality Science

Food quality science is highly product-oriented. Cereal quality work is performed in Swift Current, Sask. and Winnipeg. Horticultural product quality work is being performed at Kentville, N.S. and Summerland, B.C.. Meat and dairy quality work is being realized at St. Hyacinthe, Que., Lacombe, Alta. and Lennoxville, Que. More complex food systems are being studied in St. Hyacinthe. Food Quality Science is also well connected to the various sectors. A variety of technologies were assessed for their potential to maintain or enhance food quality in cereals, horticultural and meat products. Some of them have been already transferred to the industry.

In 2006-07, as part of the human nutrition research initiative, two general activities took place: 1) the development of protocols and procedures to establish an ethics committee to evaluate research and development activities in the area of human nutrition and, 2) the development of a laboratory capability to measure fecal components (microbiological and chemical) essential to assess efficacy in human feeding trials.

The sensory science group is a small but essential component of the department's food research. Work in this area is performed at centres in Summerland, St. Hyacinthe and Kentville. Recent work has focused more extensively on consumer preferences, rather than on the development of methodologies with the hiring of one scientist specialized in meat consumer

preferences. Through the long-term training program, one scientist is currently being trained in consumer perception and preferences.

The scientific productivity of the food quality group is outlined in the following table:

Publications (scientific journals)	188 externally peer-reviewed publications and nine externally peer-reviewed abstracts, 20 book chapters and five books out of a total contribution of 281 publications
Innovations	eight gene sequences, 19 improved processes, eight declarations of invention, nine improved systems out of a total of 65 contributions
Technology Transfer	73 invited talks, 67 oral communications, 113 posters, nine press articles, 22 technical transfer, 45 reports out of 354 contributions
Co-operative Research	153 projects realized in collaboration

In the area of product development, platforms are being used to demonstrate the technical feasibility of various technologies. Confidential technical work performed by companies under the St. Hyacinthe industrial program (ISO-9001/2000) generates revenues of \$500,000 per year.

Challenges

AAFC officially declared a mandate to perform research and development into nutrition in May 2006, meaning the group working on this research within the department is very new. In addition, much of the engineering expertise within the department, especially in the area of food processing, is disappearing as scientists take management positions, and, in some cases, retire.

There is also an ongoing challenge to ensure foods incorporating the health benefits of bioactives are palatable to consumers.

Sub-Sub-Activity: Traceability

AAFC's work on traceability, as described in the expected result section titled *Consumers confident about the safety and quality of food produced in Canada*, also contributed to reducing exposure to hazards in 2006-07. For more information, please see that section.

Also in 2006-07, work continued on a national framework to define the impact of antimicrobial use on-farm on the prevalence of antibiotic-resistant infections in humans. Under this project, which is being piloted on swine, one full year of data has been obtained and is currently being analyzed. A framework for national surveillance of enteric illness and the ability to track it back to potential food, animal, water, environment, and site sources has been operating for the past year.

Expected Result:	Value-added opportunities for the sector through the adoption of food safety, food quality and traceability systems
Status:	Not Met

While AAFC achieved its planned objectives during 2006-07 related to the development and implementation of food safety, quality and traceability systems, no reliable cause and effect data can be identified to determine how this work contributed to value-added opportunities for the agriculture and agri-food sector, resulting in a performance status rating of Not Met. The indicators of success are being revised.

Program Activity: Markets and International

Markets and International (70%) - 2006-2007

Actual Spending (Net) \$ Millions	Full Time Equivalents
91.8	494

Canadian producers and processors have established a strong reputation as efficient and reliable suppliers of safe, high-quality products. But in an increasingly competitive marketplace, the sector cannot be complacent. It depends significantly on the international market, meaning the integration of international and domestic activities is critical.

AAFC's approach for 2006-07 was designed to leverage domestic progress into success on the global stage. Market success requires supply-chain co-ordination to meet consumer demands and create enhanced value. International-market readiness begins with domestic system integration to provide evidence that Canada is a world-leading supplier of safe, high-quality, environmentally friendly food. Consumers are increasingly demanding these requirements be met; Canada's

competitors are increasingly meeting them. Ensuring Canadian producers and processors can do the same is key to the success of the sector.

Details of Performance

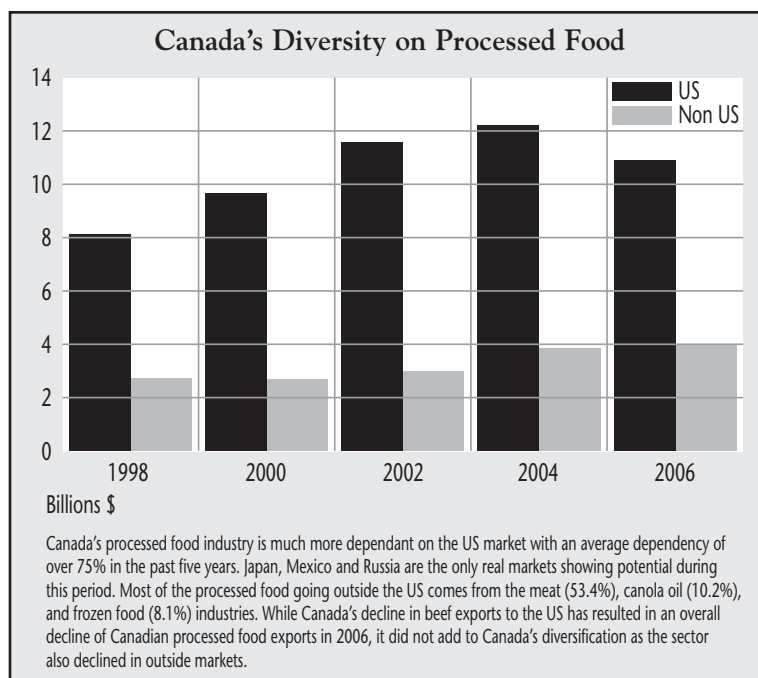
The expected results for the department's Markets and International program activity under the Security of the Food System strategic outcome in 2006-07 were:

- increased exports of Canadian agriculture and food products;
- increased domestic and foreign investment in Canada's agriculture and food sector;
- increased domestic market share of Canadian agriculture and food products; and
- increased influence in the development and application of international rules, technical standards and policies governing the trade of agriculture products.

Expected Result:	Increased exports of Canadian agriculture and food products
Status:	Mostly Met

The Government of Canada's work in 2006-07 resulted in improved market access in a number of important international markets. Primary product exports increased to \$12 billion in 2006, from \$10.2 billion in the previous year, mostly due to the increasing price of commodities such as wheat and canola. In addition, a larger share of Canadian farm production was exported in 2006 compared to 2005, from 59 to 75 per cent in the case of wheat, from 70 to 75 per cent for oilseeds and from 44.9 to 47.3 per cent for cattle and beef.

It is worth noting however that processed food exports declined to \$14.8 billion from \$15.5 billion in 2005, mostly due to significant declines in the export of meat products. Processed food exports now account for 53 per cent of total Canadian agri-food exports to the world.



Sub-Activity: Market Access and Market Development

The effects of BSE continued to be felt in 2006-07, but AAFC made considerable progress in its efforts to regain markets for Canadian beef and cattle. Various stages of market re-opening were achieved in: Russia, which is again accepting live Canadian cattle following high level meetings between Canadian and Russian agriculture officials; Egypt, which re-opened its borders to Canadian livestock in February 2007 following capacity-building efforts on the part of AAFC in that country; as well as El Salvador, Macedonia, Thailand, and Indonesia.

AAFC also continued to work with Mexico to avoid any unnecessary delays in the resumption of trade in Canadian dairy heifers, and met Venezuelan officials to move a number of trade issues forward including Canadian access for cattle and beef. The department also raised these trade issues at the World Trade Organization's (WTO) Committee on the Application of Sanitary and Phytosanitary Measures (SPS), which sets out the basic rules for food safety and animal and plant health standards.

Through the *Genetics Marketing Program* and the *Other Ruminants Market Development Program*, AAFC provided \$2.5 million in support of 10 industry association projects to implement marketing strategies targeting traditional and non-traditional markets.

Russia was a targeted country of development efforts and, as a result, a contract for almost 2,000 cattle with a value of \$7.5 million was negotiated. This was the first significant shipment of breeding cattle since the discovery of BSE in May 2003 and was facilitated through government negotiation of access.

The *Sustaining the Genetic Quality of Ruminants Program* provided \$6.5 million in support of 17 industry association projects to help maintain Canada's reputation for genetics and the marketability of genetic ruminant products. Canadian Dairy Herd Improvement partners worked on developing a National Dairy Cattle Health and Disease Data Management System, the primary objective being the creation of a national dairy cattle health and disease database for herd management and genetic evaluation. The system will move Canada into the forefront in terms of recording animal health information. In 2006, exports of dairy semen increased by 18 per cent or \$10 million, up from \$59 million in 2005 to \$69 million in 2006.

The value of Canadian beef and cattle exports is now \$2.6 billion, compared to pre-BSE levels of \$3.9 billion. The value of exports of these products has increased steadily after the BSE crisis emerged in 2003.

In addition to the beef and cattle sector, AAFC helped other sectors achieve success in 2006-07. Departmental technical experts have been working with India to develop a protocol for pulse crop imports, and in 2006 that country began accepting Canadian wheat shipments for the first time since 1999. Through negotiations, the Canada-Venezuela Potato protocol and the Canada-Mexico Potato protocol were extended, facilitating Canadian exports to these markets, and canola exports to Argentina were resumed after Argentine authorities stopped issuing import permits.

The department also worked to ensure the remaining tariffs on Canadian bean exports to Mexico are liberalized as scheduled under NAFTA, and provided support for the ongoing HS 2007 technical rectification proposals for the Canada-Chile FTA product specific rules of origin. This process is ongoing and it not expected to reach completion until 2008.

Total Canadian exports of agri-food and seafood to Russia increased dramatically in 2006-07, reaching a value of nearly \$220 million. Seafood exports to the country were below \$1 million in 2002-03, but by partnering with Russian importers following participation at major Russian seafood trade shows, the industry exported close to \$44 million in 2006. Canadian swine and genetic exports also increased following a number of outgoing missions, and were valued at more than \$150 million in 2006. Frozen and prepared shrimp, white fish, cattle embryos, animal feed and pet food accounted for much of the remainder of the \$220 million in exports to Russia.

AAFC delivery of international capacity building programming contributed to the resolution of bilateral market access issues. In one instance, China restricted imports of Canadian peas containing specified excess levels of selenium – a naturally occurring mineral. As a result of relationships and commitments developed while representatives of AAFC and several Chinese ministries were members of the board overseeing AAFC capacity building programming in China, AAFC's board representative was able to negotiate an interim solution to this trade barrier. As a result, China now tests only the processed or semi-processed products of pea imported to Shandong province (importing more than 90 per cent of peas from Canada, which has a much lower level of selenium); there is agreement that there is no selenium standard for feed pea, which can thus be exported to China without the selenium concern; and the Ministry of Health of China began a review in July 2006 of the selenium standard, in co-operation with Canada.

Pressure used by AAFC includes the negotiation and proposition of binding SPS provisions in the five ongoing FTAs, the multilateral expression of trade concerns at two WTO SPS Committee meetings held in June 2006 and February 2007, and the bilateral expression of trade concerns in ten bilateral meetings held on the margins of the WTO SPS Committee meetings (March 2006, June 2006 and February 2007).

In meetings held on the margins of the meetings mentioned above, AAFC also pushed for improved market access for Canadian plant products.

Informal negotiating rounds were also held with the Central America 4 (CA4, made up of El Salvador, Guatemala, Honduras and Nicaragua) in an effort to formally re-launch full negotiations while trade negotiations with Korea are well advanced after ten rounds of talks. In addition, Canada formally re-launched negotiations with Singapore and with the European Free Trade Association (EFTA) with good progress achieved towards completing these FTAs.

The Government of Canada also held exploratory talks with the Dominican Republic and with the Andean Community (Colombia, Peru, Ecuador and Bolivia) on the feasibility of launching FTA negotiations. The provinces and agriculture and agri-food sector stakeholders were consulted on how best to achieve Canada's objectives in the regional and bilateral FTA agenda.

Expected Result:	Increased domestic and foreign investment in Canada's agriculture and food sector
Status:	Partially Met

Due to issues of confidentiality, quantitative measurement of investments from both foreign and domestic sources in Canada's agriculture and agri-food sector are difficult to assess. While AAFC is aware of specific investments, there are certainly others that remain undisclosed due to reasons of confidentiality, leading to what could be only a partial account. Although actual tracking may prove difficult, there were notable highlights in 2006-07 which demonstrate the department's progress.

Domestic and foreign investments in Canada's agriculture and food sector have increased in the past year. Canadian and international agri-food companies continued to choose Canada as a location to invest. This has been demonstrated through various forms including new incremental (greenfield) investment, joint-ventures, R&D partnerships, acquisitions and expansions by multinationals and small-to-medium enterprises.

The department collaborated with federal and provincial investment partners, including the Department of Foreign Affairs and International Trade's (DFAIT) Foreign Posts, to support promotion initiatives aimed at increasing awareness of Canada's advantages as an investment location. Taking advantage of these collaborative partnerships, AAFC has increased awareness of Canada's advantages, including the safety and quality of its inputs, the excellence of its science and research in the area of bioproducts and bioprocesses, and its cost-competitiveness. This was accomplished through the use of investor seminars, face-to-face meetings with potential investors and direct responses to corporate inquiries.

In addition, training at DFAIT's Foreign Posts has increased the knowledge and capacity of the staff, and enabled them to better target foreign firms and identify investment opportunities.

However, the department noted three key challenges in 2006-07 that affected the ability to increase investment in the sector:

- the increased availability of foreign incentives, particularly financial-related incentives, has increased global competition to attract investment;
- decreasing cost-competitiveness versus Mexico due to low cost labour and, in some cases, improved infrastructure has made it a more attractive location for foreign investment and therefore a direct substitute for choosing to invest in Canada to serve the North American market; and
- continued rise of the Canadian dollar, eroding long-standing cost advantages in the North American market.

Expected Result:	Increased domestic market share of Canadian agriculture and food products
Status:	Mostly Met

In 2006-07, AAFC made progress on several fronts with activities that promoted Canadian products in the domestic market and supported agriculture and food producers in developing the domestic market. This progress has contributed towards meeting the ongoing and long-term objective of increasing domestic market share for Canadian agriculture and food products.

Key activities in this area in 2006-07 included the following:

- a study was undertaken to gain an understanding of the attitudes of Canadian health non-governmental organizations with respect to the role of the agriculture and agri-food value chain in innovating for health. The results should help facilitate mutually productive relationships among government, industry and the health community;
- progress was made on national approaches to the regulation of organic agriculture and wine quality, legislation for spirits blending and certification and standards for animal welfare. These collaborative AAFC/CFIA initiatives, developed through a joint task force on organics, should allow for maintained or enhanced market access for industry and sound information for consumers over the long-term;
- through the Seafood Value Chain Roundtable, AAFC sponsored domestic consumer market research which will support industry marketing efforts to increase the domestic consumption of mussels and lobsters in Canada;
- progress was made regarding industry acceptance of national wine quality standards that will lead to support and enhancement of domestic consumer recognition and consumption of Canadian wine; and
- a Canadian consumer survey report was completed, and, in partnership with Statistics Canada, an industry survey report was completed aimed at better understanding the Canadian functional foods and nutraceutical landscape in Canada to capitalize on new and existing market opportunities.

Expected Result:	Increased influence in the development and application of international rules, technical standards and policies governing the trade of agriculture products
-------------------------	---

Status:	Met
----------------	-----

AAFC worked in 2006-07 to influence policy decisions on technical issues and the development of standards in a broad range of multilateral decision-making fora. Together with its federal government partners, and in consultation with the provinces and the full range of stakeholders from throughout the sector, the department worked domestically and internationally to build informed positions and influence negotiations on issues of key importance to Canadian agriculture and agri-food, and best achieve Canada's agricultural trade policy objectives.

Canada remained very active last year, in particular at the June 2006 Ministerial meeting in Geneva, in pressing for an ambitious outcome at the WTO. Canada was particularly influential in pressing not only for an ambitious overall tariff reduction formula, but also for substantial reductions to and disciplines on trade-distorting domestic support and the elimination of all forms of export subsidies. Minister Strahl and Minister of International Trade, David Emerson, at the Davos meeting in January 2007, reiterated the need to move the Doha Round forward.

Canada participated actively through a range of groups and activities at the WTO to exchange new ideas and perspectives about how to advance the negotiations. For example, Canada has been involved in longstanding collaboration with the Cairns Group countries to press for an ambitious outcome in the WTO agriculture negotiations.


The Government of Canada also consulted extensively with provinces and the full range of agriculture and agri-food sector stakeholders, including supply managed and export oriented industries, about how best to achieve our agricultural trade policy objectives.

In the context of trade-related aspects of intellectual property (TRIPS), AAFC:

- provided input and analysis to instructions and participated directly in formal and informal negotiating sessions and discussions. The department's participation was focussed on responding to demands by some WTO members for amendments to the WTO TRIPS agreement that would increase protection for geographical indications at the expense of the rights of existing trademark holders in Canada.

AAFC has been actively involved in the ongoing work of the WTO Committee on Technical Barriers to Trade (TBT), which deals with regulatory and other non-tariff barriers to trade that are not related to plant, animal and human health. In 2006-07, AAFC:

- provided input on horizontal issues as well as specific trade concerns facing the agriculture and agri-food sector. In November 2006, the fourth triennial review of the program of work of the TBT Committee was successfully completed and Canada's objectives were met.

The federal government also continued to advocate Canada's interests with other WTO members, including the European Union and the U.S., and continued to ensure these countries respect their current WTO obligations. For example, the Government has launched a WTO dispute settlement process against US agricultural subsidies designed to influence the debate surrounding the drafting of a new U.S. Farm Bill in 2007. Canada believes many U.S. programs are trade-distorting and in need of reform. Canada's action was noted in the U.S. media as well as with the U.S. Congress. Agriculture Secretary Mike Johanns used this case to advocate the need to reform the U.S. Farm Bill to mitigate the risk of future WTO challenges. Canada also continued its longstanding collaboration with the Cairns Group countries  to press for an ambitious outcome in the WTO agriculture negotiations.

AAFC's successful advocacy efforts in the United States culminated with the publication for comment of the U.S. Minimal Risk Region Rule #2, or the BSE *Second Rule*. AAFC continued to actively advocate for the repeal of the United States' mandatory Country-of-Origin labeling legislation, and monitor the U.S. Farm Bill process to ensure U.S. proposals do not harm Canadian interests. Also, on the issue of APHIS inspections and user fees, despite Canadian interventions at all levels in 2006-07 for the removal of the rule and the presentation of an innovative alternative proposal, the U.S. proceeded with full implementation on June 1, 2007. This U.S. decision largely reflects the U.S. focus on generating increased revenue sources to finance border activities.

Canada's influence in agricultural negotiation sessions and other multilateral fora also increased in 2006-07. Some key examples include:

- AAFC participated in the ongoing work of the Codex Committee on Food Labeling and was actively involved in developing Canadian positions for other Codex meetings. Canada defended its position against mandatory country-of-origin labeling provisions in 16 cheese standards and general mandatory labeling of genetically engineered food;
- Canada signed the World Wine Trade Group Agreement on Requirements for Wine Labelling in January 2007. In keeping with Canada's international trade policy objectives, the agreement will help facilitate Canadian wine exports and lower labelling costs for the wine industry by removing certain technical barriers to trade. The agreement also protects the reputation of Canada's flagship wine export, icewine, by defining what may be labelled as icewine. A regulatory change will be required to implement the agreement and the Government of Canada is considering a number of options for its implementation; and
- re-launched negotiations with Singapore and with the European Free Trade Association (EFTA).

Other key results related to this Program Activity

Negotiating organic equivalency standards with the European Commission (EC)

AAFC's active involvement in the process of establishing and modifying national organic production standards, often through joint efforts with CFIA, contributed to the publication by the Standards Council of Canada of Canada's National Organic Standards in September 2006. Based on these standards, Organic Products Regulations were promulgated in December 2006, setting the stage for equivalency negotiations with export destinations, such as the EU. A formal request for equivalency, including line-by-line comparative tables, was submitted to the EU in December 2006 and is currently being reviewed. Achieving equivalency will facilitate the free flow of organic products out of and into Canada, while respecting the import requirements of respective regulations.

Increasing trade advocacy efforts abroad

In 2006-07, Canada worked to influence and advance Canada's agricultural and agri-food trade policy interests through increased trade advocacy. Canada rejuvenated the Canada-Mexico Consultative Committee on Agriculture (CCA), established new terms of reference for the Canada-China Joint Agriculture Committee as well as the joint collaboration with India in developing a Cooperation Committee on Agriculture and Food, and signed an MOU establishing a CCA with Brazil. These successes will provide additional venues for productive and mutually beneficial consultations.

In the context of effective participation in bi-lateral and multi-lateral meetings (e.g. Codex Ad Hoc Task Force on Foods Derived from Biotechnology, APEC, IICA) on a number of issues (e.g. adventitious presence, liability and redress provisions of the Cartagena Protocol on Biosafety), efforts were successful in showing leadership and advocating Canada's position on these and other issues abroad.

Reviewing the Canadian regulatory environment to enhance the competitiveness of Canadian agriculture

Through participation in various intra- and inter-departmental fora (e.g. Portfolio Working Group on Adventitious Presence, Portfolio Seed Policy Coordination Group, Working Group on Animal Biotechnology) and in bilateral work with other departments and agencies, AAFC's efforts were successful in integrating international trade policy considerations into work on issues such as adventitious presence and animal cloning.

In 2006-07, the department provided issue-specific advice to the Oilseeds Roundtable through presentations on the Cartagena Protocol on Biosafety and adventitious presence, and supported the work of the roundtable's International Trade Issues Working Group by co-ordinating the production of an independent study on the potential impact of country regulations related to biotechnology on the Canadian oilseed industry. Based on the conclusions of the report, the working group recommended to the roundtable that the major issues could be addressed either by recommending that the Canadian government adopt certain policy directions or inviting the industry to develop mechanisms to improve the exchange of information on major markets' regulations and policies that apply to genetically modified products.

AAFC continues to co-chair the federal-provincial Working Group on Chapter Nine of the Agreement on Internal Trade (AIT) regarding Agricultural Products and Goods. This working group was tasked with the revision of Chapter Nine of the AIT to make it inclusive of all technical measures, while ensuring the protection of orderly marketing system. A broader-scoped Chapter Nine would help eliminate barriers to agricultural trade within Canada and therefore further liberalize internal trade.

In parallel with the revision of Chapter Nine of the AIT, the department continued to work with the CFIA towards the revision of the Fresh Fruit and Vegetable Regulations of the Canadian Agricultural Products Act to alleviate domestic requirements for the interprovincial movement of apples. This work will directly impact the apple industry in Canada, encourage innovation and increase competition with export markets.

Also in 2006-07, as a result of AAFC's participation on the PCO Smart Regulation's Healthy Canada Theme Table, a draft framework was developed for consultation that is intended to provide increased access to diet-related health claims. In addition, officials with AAFC's Research Branch and Market and Industry Services Branch are working together to develop co-operative approaches with Health Canada in an effort to enhance capacity to improve the quality and efficiency of approval of regulatory submissions for novel food ingredients and health claims.

With the objective in mind of helping ensure Canada's food sector remains competitive with that of the U.S., AAFC commissioned a report on the strategies American food companies and commodity associations use to obtain diet-related health claims. This information provided valuable input as AAFC continues planning for the next generation of agriculture and agri-food-related policy and related programs.

AAFC officials also provided analysis and advice on a range of issues such as trans fat, health claims, natural health products, and the development of the revised Canada's Food Guide to various government, industry and academic networks such as the industry-led Value-Chain Round Tables, the University of Toronto's program in Food Science and Regulatory

Affairs and Canada's National Task Force on Trans Fat. More broadly, AAFC also undertook research to explore non-governmental organizational attitudes toward the food industry as a profit-driven partner in innovating for health.

Enhance the abilities of the Canadian food industry to produce high-quality food products while meeting current and future consumer needs

In 2006-07, AAFC made progress on national approaches to the regulation of organic agriculture and wine quality, legislation for spirits blending and certification, and standards for animal welfare. These achievements should allow for maintained or enhanced market access for industry and sound information for consumers over the longer term.

There were numerous challenges facing the department to this end, notably:

- stakeholder difficulty in reaching a consensus on standards, regulations, legislation or enforcement-related issues;
- resolution of technical issues in the organic standard and issues around regulatory implementation;
- delays in deciding on a legislative approach to spirits and in reaching a consensus on national wine standards, which could potentially lead to lost market access for these sub-sectors in the longer run;
- funding delays to cover industry's costs in organic-standard work and for transgenic animal registry system;
- uncertainty regarding appropriate government-industry roles and commitments on food quality attributes, especially animal welfare during the transition from the APF to the next generation of agriculture and agri-food policy, affecting funding assistance options; and
- insufficiency in qualitative and quantitative data available to support policy and regulatory decisions impacting food industry.

The department also completed the second wave of its study titled Consumer Perceptions of Food Safety and Quality, and disseminated the results to government and industry stakeholders for use in policy, program

and strategy development. Probing research was also undertaken on the issues of food quality, organics and food safety information sources used by consumers to refine marketing and information dissemination effectiveness.

Program Activity: National Farm Products Council (NFPC) 

National Farm Products Council - 2006-2007

Actual Spending (Net) \$ Millions	Full Time Equivalents
2.5	14

The NFPC was established in 1972 through the Farm Products Agencies Act. The Council reports directly to Parliament through the Minister of Agriculture and Agri-Food. The NFPC, as part of its financial governance structure, is an integral part of AAFC's MRRS reporting requirements.

The Council's main role, pursuant to Part II of the Farm Products Agencies Act, is to oversee the national orderly marketing systems for poultry and eggs, by monitoring the activities of the Canadian Egg Marketing Agency, the Canadian Turkey Marketing Agency, the Chicken Farmers of Canada, the Canadian Broiler Hatching Egg Marketing Agency. In addition and pursuant to Part III of the Act, it also monitors the activities of the Canadian Beef Cattle Research, Market Development and Promotion Agency.

Operating Environment

The Council, in carrying out its duties, consults on a continuous basis with the governments of all provinces and territories with an interest in establishing or exercising the powers of any one or more of the agencies established under the Act.

In addition to its legislative responsibility to review agency operations, orders and regulations, make inquiries into complaints against agency decisions and conduct inquiries into the merits of establishing new agencies, the Council undertakes activities that aim to promote the strength and enhance the competitiveness of the sectors that the Council oversees.

As previously noted, the Council has a legislative responsibility to monitor the operations of the five agencies established under the Act. These duties include the regulatory review and approval of all agency orders and regulations, requiring ongoing review and analysis of agency issues, attendance at agency meetings and regular meetings of the full Council and the agencies' executive members. As well, the Council prepares submissions to the federal Cabinet for any regulatory initiatives of the agencies requiring Governor-in-Council approval.

The Council undertakes activities that aim to promote the strength and enhance the competitiveness of the sectors which it oversees. It has remained committed to working with the agriculture and agri-food sector to meet the challenges and opportunities that arise from significant change in agri-food policies, business trends and market requirements at home and abroad.

Also, the Council remains an active proponent of portfolio management with the aim of providing a comprehensive and coordinated government approach to agri-food challenges and issues that affects the poultry industry. This co-operative approach within the agriculture and agri-food portfolio is done in a manner to maintain the Council's arms-length relationship due to its quasi-judicial status and the managerial autonomy and accountability required in today's modern comptrollership environment.

The Council currently consists of one full-time chairperson and eight part-time members appointed by the Governor-in-Council. The Council is supported by a staff of 19 public servants.

Details of Performance

The expected results for the NFPC in 2006-07 were:

- receive and complete draft federal-provincial-territorial agreements by the three national agencies (the broiler hatching egg agency, the turkey agency and the egg agency);
- establish a levy collection system in place and monitor progress on a check-off imports of beef and beef products;

- action plan to respond to proposed changes to the regulatory framework; and
- continued implementation of the Government of Canada's Management Accountability Framework and further alignment with the framework.

Expected Result:	Receive and complete draft federal-provincial-territorial agreements by the three national agencies
Status:	Not Met

NFPC has not yet received draft federal-provincial agreements (FPAs) from the three national marketing agencies (egg, turkey and broiler hatching eggs).

Work by the agency has resumed on the FPA for table eggs, and the revised FPA for broiler hatching eggs is nearing completion. The FPA for turkey is expected to resume pending completion of the new allocation policy.

The renewal of federal-provincial-territorial agreements is a very complex process involving many stakeholders and provincial governments. As the WTO negotiations are still underway, and the results are as yet unknown, the renewal of the agency federal-provincial agreements delayed the completion of this commitment.

Expected Result:	Establish a levy collection system in place and monitor progress on a check-off imports for beef and beef products
Status:	Partially Met

Implementation of a levy collection system on a national basis is halfway completed, with all Western provinces finalizing and implementing their legal infrastructures. Federal-provincial agreements with several provinces need to be implemented and other arrangements need to be made and implemented in the remaining provinces. No levy system for imports will be implemented until the national system is fully operational.

Expected Result:	Action plan to respond to proposed changes to the regulatory framework
Status:	Partially Met

As part of the ATNCG, the council monitored developments of the WTO negotiations and initiated several meetings with the executives of the four national marketing agencies to raise awareness on potential implications of these negotiations on the Canadian Supply system and discuss next steps and strategies.

As part of the NFPC's oversight role, it worked with the executives of the four national marketing agencies on a regular basis to discuss ongoing challenges, opportunities and potential options in facilitating the marketing of agri-food products.

This is an ongoing item of discussion between the council, the four national marketing agencies and the downstream stakeholders during meetings of the Agencies and provincial boards, conferences and seminars.

Expected Result:	Continued implementation of the Government of Canada's Management Accountability Framework and further alignment with the framework
Status:	Met

The NFPC completed its 2006-07 Departmental Staffing Accountability Report (DSAR), which included its responsibilities under the Management Accountability Framework, which sets out the Treasury Board of Canada Secretariat's expectations for senior public service managers for good public service management.

In 2006-07, NFPC management received several training opportunities and took a proactive role in implementing fundamental guiding principles, approaches and tools such as reaffirming organizational and public service values as part of day-to-day operations, focusing on people and citizens, and aligning staffing practices with the new Public Service Employment Act.

Setting key organizational objectives focused on results and performance with strategic Performance and Learning Agreements for all employees was also at the forefront of management practices. This included a management commitment for training opportunities and financial resources to support such requirements.

Sound stewardship and accountability in the review and improvement of operational internal practices and protocols was a major focus of operations at NFPC in 2006-07, and will continue to be a focus in the future.

Overall staffing strategies linking the HR Plan and organizational objectives are now an integral part of business operations at NFPC.

STRATEGIC OUTCOME: HEALTH OF THE ENVIRONMENT

Program Activity: Environment

Environment - 2006-2007

Actual Spending (Net) \$ Millions	Full Time Equivalents
364.4	2,095

Maintaining access to agri-environmental resources is a common goal. Farmers, industry, governments, environmental organizations, and citizens must work together to achieve the goals of sustainable development to ensure both an economically vibrant agriculture and agri-food sector and a healthy environment.

Canadian farmers have shown they can be admirable stewards of the country's environmental resources. They already apply many good environmental practices, which not only safeguard resources but also help boost the profitability of their operations. At the same time, it is clear that more must be done to conserve the environment. Further, consumers are increasingly basing their buying decisions on their desire to support environmental sustainability.

In 2006-07, governments, producers and industry are looking to accelerate efforts to reduce production risks and impacts to Canada's resources, including air, water, soil, and biodiversity.

Details of Performance

The expected results for the department's Environment program activity in 2006-07 were:

- **air:** reduced agricultural risks and improved benefits to the health of air and the atmosphere, with key priority areas being particulate emissions, odours, and emissions of gases that contribute to global warming;
- **soil:** reduced agricultural risks and improved benefits to the health of soils, with key priority areas being soil organic matter and soil erosion caused by water, wind or tillage;
- **water:** reduced agricultural risks and improved benefits to the health and supply of water, with key priority areas being nutrients, pathogens, pesticides, and water conservation; and
- **biodiversity:** ensured compatibility between biodiversity and agriculture, with key priority areas being habitat availability, species at risk, and reduction of economic damage to agriculture from wildlife.

Environmental Science

Acting on agricultural risks presumes a sound knowledge of the environment, and specifically of the relationship between agriculture and the environment. It is essential to understand the processes and mechanisms by which agricultural inputs, such as nutrients and pesticides, affect resources, such as air, water, soil, and biodiversity, under different agri-environmental landscapes and management practices. It is also necessary to understand the relations and interactions between the different components of the agri-environment, to reduce the environmental footprint of pest management practices and to determine the outcome of agricultural inputs and wastes in the environment.

Such an understanding is crucial for providing sound advice to policy makers and land resource and extension specialists on the effects of agricultural production on air, water, soil, and biodiversity. The knowledge gained can be used to develop beneficial management practices and indicators of the state of the environment, and also be applied toward the use of innovative environmental technologies, genetic resources and biological information by the sector.



The purpose of environmental research at AAFC is to develop knowledge and technologies that minimize the impact of agricultural production on the resources used by the agriculture and agri-food sector, while maintaining the sustainability of the sector. In 2006-07, this was achieved through three national research themes:

- **Soils, Water, and Air Quality**, which aims to provide new knowledge on how the agriculture and agri-food sector interacts with the environment and new technologies and practices to minimize the potential adverse impacts of production practices on soil, water and air;
- **Integrated Pest Management**, which aims to provide new knowledge on how the agriculture and agri-food sector interacts with the environment and new technologies and practices to reduce pesticide leaching in the environment and potentially affecting non-target organisms; and
- **Bioresources**, which aims to provide new knowledge on how the agriculture and agri-food sector interacts with the environment and new technologies and practices to minimize the potential adverse impacts and enhance the benefits on biodiversity and bio-resources.

Specific productivity for each theme is summarized in the following table. More information on the work presented in this table is available at: Director General's Office, Environmental Health National Science Program, 613-759-1723 or Program Director's Office, Environmental Health National Science Program, 418-210-5003.

Soils, Water and Air Quality	
Publications	302 external peer reviewed articles in scientific journals; 72 internal peer reviewed publications; 197 non-peer reviewed scientific articles
Technology Transfer	79 reports; 20 industry articles; eight guides; 19 interviews; 138 invited talks; 14 newsletter articles; 196 oral communications; 17 popular articles; 94 posters; five press articles; 11 technical bulletins; 22 technical transfer activities; two trade journal publications; one other publication
Innovations	three copyrights; one declaration on innovation; one gene sequence; 10 improved designs; one improved genetic material; 36 improved processes; 13 improved products; 63 improved systems; one license; one new variety registration; 52 other innovations; one royalty
Integrated Pest Management	
Publications	184 external peer reviewed articles in scientific journals; 53 internal peer reviewed science publications; 42 non-peer reviewed scientific articles
Technology Transfer	46 reports; one industry article; one guide; two interviews; 53 invited talks; six newsletter articles; 32 oral communications; 18 popular articles; 30 posters; four press articles; six technical bulletins; eight technical transfer activities; one trade journal publication; 20 other publications
Innovations	four copyrights; one declaration on innovation; 10 gene sequences; one improved design; two instances of improved genetic material; 10 improved processes; four improved products; 13 improved systems; one license; two new variety registrations; 19 other innovations; one patent
Bioresources	
Publications	209 external peer reviewed articles in scientific journals; 75 internal peer reviewed publications; 190 non-peer reviewed scientific articles
Technology Transfer	82 reports; one industry article; seven guides; 14 interviews; 156 invited talks; 10 newsletter articles; 173 oral communications; nine popularizing articles; 88 posters; 16 press articles; 25 technical bulletins; 50 technical transfer activities; nine trade journal publications; and five other publications
Innovations	one declaration on innovation; eight gene sequences; four improved designs; four improvements to genetic material; 28 improved processes; 14 improved systems; two licenses; two new variety registrations; 27 other innovations; four public servant invention disclosure reports

Environmental Stewardship

Agricultural risks to the environment are best tackled through collaborative efforts of governments, producers and stakeholders. The department, through the PFRA, delivers a comprehensive package of tools and services to encourage environmental stewardship. Environmental Farm Plans  help producers assess their operations and determine environmental risks and opportunities. The National Farm Stewardship Program helps producers address these risks by providing financial and technical support to adopt beneficial management practices. Greencover Canada  complements these programs by targeting technical and financial assistance to more fragile forage, range land and riparian areas.

AAFC continues to support sustainable land management in other ways, such as through the management of 2.1 million acres of native range land under the PFRA Community Pasture Program, and agro-forestry programs provided through the PFRA Shelterbelt Centre that help to prevent soil erosion, protect riparian areas, provide wildlife habitat, and sequester carbon.

There is a continued need for improving producer access to secure water supplies of acceptable quality, especially in an environment of climate change and variability. The National Water Supply Expansion Program provides technical and financial assistance for on-farm and community infrastructure, and strategic studies to understand agricultural water supply and demand and evaluate new technologies. In particular,

there are growing industry demands for sustainable irrigation development and management. The Department supports sustainable irrigation practices through applied research, demonstration and technology transfer conducted at PFRA irrigation centres in Saskatchewan and Manitoba.

Key results and benefits

AAFC activities in basic and applied environmental sciences support a competitive and innovative agriculture and agri-food sector while ensuring the environmental footprint of agricultural practices does not impair system sustainability for future generations.

As such, the products or outputs of the environmental health research activities may appear to be somewhat intangible. This is because these results are part of a continuum that ranges from identifying problems, to initiating basic research activities, to developing new technologies, to implementing beneficial management practices (BMPs) at the farm level, to the adopting of these technologies by the sector.

In addition, this continuum often takes anywhere from a few years to a decade or more to play out. For example, a scientific publication describing the processes by which a pathogen affects the life cycle of a specific weed may have no obvious short-term or direct impact on the sector or Canadians, but in the long-term it could result in the availability of a biological control strategy which could result in reduced herbicide use, to the benefit of the sector, the environment and Canadians.

Extracted from the above list of achievements are some key tangible examples showing how AAFC met its expected results in 2006-07, for the benefit of producers, the agriculture and agri-food sector, consumers, and all Canadians.

Expected Result:	Air – reduced agricultural risks and improved benefits to the health of air and the atmosphere, with key priority areas being particulate emissions, odours, and emissions of gases that contribute to global warming
-------------------------	--

Status:	Met
----------------	-----

- Scientists determined new methods of nitrogen placement and reduced tillage favored a reduction of N₂O emissions from agricultural soils. N₂O is by far the most significant agriculture contributor to greenhouse gas emissions; by reducing N₂O emissions we are reducing the environmental footprint of agriculture.
- Scientists developed drift models that allow calculation and adjustment of buffer zones for pesticide application according to sprayer type and weather conditions. The application of these models allow determination of optimal buffer zones for spray application herein maximizing the efficacy of pesticide application while minimizing possible off-target damages.
- Promotion by AAFC scientists of new low-drift nozzle technology for pesticide application resulted in extensive adoption (up to 50 per cent among producers and 100 per cent by custom applicators) of the technology. This resulted in a reduction of spray pesticide drift in the environment.
- Scientists developed a unique Greenhouse Gas Accounting and Verification System for documenting Canada's National Inventory Report in support of Canada's accounting commitment. This tool provides annual estimates of the GHG emissions and removals from Canada's agricultural lands to meet international reporting and accounting obligations under the Kyoto protocol. Canadian croplands are a net sink for carbon dioxide which means agriculture can help reduce Canadian overall GHG emissions.
- Scientists designed a computer program (GHGFarm) that calculates emissions from CO₂, N₂O, and CH₄, and can assist farmers in evaluating GHG mitigation strategies.
- Scientists demonstrated that soil and plants can absorb ammonia release by intensive livestock operations, and that producers with land downwind from ammonia sources could reduce N fertilizer application.

Expected Result:	Soil – reduced agricultural risks and improved benefits to the health of soils, with key priority areas being soil organic matter and soil erosion caused by water, wind or tillage
-------------------------	--

Status:	Met
----------------	-----

- AAFC land resource professionals are successfully using a soil interpretation model developed by AAFC for the agronomic evaluation and assessment of land parcels in New Brunswick, Nova Scotia, and P.E.I. The model allows improved management of tree plantations and parcels of lands occupied by natural tree stands.
- Scientists demonstrated that remote sensing can be used to determine field spatial variability and delineate zones characterized by uniform soil parameters. This constitutes a valuable tool to delineate differential management units at the farm level which allows applying fertilizer rates according to the specific needs of each unit (limits losses/leaching).
- Scientists determined the elimination of tillage and addition of straw and other organic amendments increase the sustainability of high crop yields, improve soil structure and organic matter quantity and quality, and reduce the risk of soil erosion, nitrogen leaching and lower greenhouse gas emissions (and enhanced C sinks).

Expected Result:	Water – reduced agricultural risks and improved benefits to the health and supply of water, with key priority areas being nutrients, pathogens, pesticides, and water conservation
Status:	Met

- Scientists demonstrated that proper land application of liquid municipal bio-solids reduced by several orders of magnitude the net export of contaminants derived from the waste to tile and groundwater; herein reducing the potential risk related to valorizing municipal bio-solids in agriculture.
- Scientists successfully estimated the potential benefits of improved nutrient management practices when applied at the watershed level. This scaling up exercise demonstrate the real benefits of generalized adoption of improved management practices.
- Scientists determined the use of an integrated reservoir for irrigation recycling prevents off-farm movement of sediments, nutrients, and chemicals. This practice limits the risk of non point source pollution arising from those locations as sediments, nutrients, and chemicals can no longer enter the water stream.

- Bacterial source tracking was used to determine that the main source of bacteria in the water was from wildlife with significant contamination coming from bovine and humans as well. This knowledge will help inform the public on the real risk from agriculture, which is less than the risk incurred from wildlife.
- Scientists determined that application of composted manure to cropland (rather than fresh manure) may lower certain forms of phosphorous and nitrogen in runoff. This practice limits the risk of excess phosphorous and nitrogen contaminating surface and ground water.
- A major change to the management regime of AAFC's water infrastructure was initiated that will see local agricultural producers assume responsibility for ownership and operation of irrigation delivery infrastructure in southwest Saskatchewan. This change will lead to the elimination of the false economy associated with federal government-owned water infrastructure, and to increased water-use efficiency and resource conservation in the region.
- AAFC revitalized its Dam Safety Management System. The improved asset-management system will result in technological improvements that will not only assist in improving the safety of the dams but will also position the infrastructure for changes in water management that could result from climate change. This ensures that public infrastructure remains safe, functional and capable of meeting the general public's and the agriculture and agri-food sector's expectations for water management and resource care.
- AAFC – PFRA worked with Boulardarie Water Club on Cape Breton Island to promote irrigation scheduling to improve the use of water in the area. Irrigation scheduling controls the timing and the amount of water that is applied to fields. The project promoted the use of scheduling technology for irrigation and has introduced new and specific equipment for watering different crops. The project also met the crop water requirements while preventing over-application of water which can have harmful effects on the environment and reduce crop yield. The project looked at three irrigation methods: drip, sprinkler and travelling gun, each one designed for specific crops. Other new technologies such as soil moisture sensors and

weather equipment which can measure evapo-transpiration (i.e. crop water demand) directly were also tested for on-farm utility. The benefits of this project are reducing costs for producers, building producer expertise and encouraging the efficient use of water.

Expected Result: Biodiversity – ensured compatibility between biodiversity and agriculture, with key priority areas being habitat availability, species at risk, and reduction of economic damage to agriculture from wildlife

Status: Met

- Scientists resolved a nomenclatural dilemma around the causal agent of the human form of PCP (*Pneumocystis pneumonia*). This basic knowledge on the identity of threat organisms is essential to understand their life cycle, mode of action, dangerousness, etc. and to develop preventive or curative solutions.
- Scientists developed the most efficient detection system for the plant pathogen *Phytophthora ramorum*. About \$1 million per year is being spent in Canada to try to prevent the introduction of this pathogen in the country and this efficient detection method will increase the efficacy of this program.
- The results of systematic studies conducted on the natural enemies of the pest insect *Lygus lineolaris* will assist researchers in the development of biocontrol agents for this pest.
- AAFC's work on DNA barcoding showed that developing genetic markers for all living species is achievable with practical and commercial uses for biodetection, pest assessment, certification, contaminant detection, bioprospection, etc.
- Scientists first identified the soybean aphid when it was discovered in Canada as an invasive pest from Asia. Identifying and studying invasive alien species is critical in protecting the sector.
- In a four-year study, transgenic corn (expressing a Bt 'Cry' protein) appears to be a relatively minor factor affecting the biodiversity of non-target ground beetle assemblages in agro-ecosystems.

Integrated Pest Management

In 2006-07, AAFC achieved the following notable results in the area of integrated pest management (IPM). IPM activities contributes directly to the four expected results under the department's Environment program activity: soil, water and air quality, and preserving biodiversity.

- A five-year study concluded there was no evidence of pest resistance to Bt-corn developing in populations of European corn borer from various regions of Ontario and Québec. This means the mitigation rules developed to prevent the apparition of pest resistance are efficient.
- Scientists developed a new control strategy for pests of potted flowers. This new strategy can be integrated with other non-chemical control strategies to reduce pesticide usage by more than 90 per cent.
- Scientists developed a mechanical control device to control European corn borer in potatoes in P.E.I. This device reduces the need for chemical pesticides.
- Scientists demonstrated that integrated weed management can mitigate the evolution, spread, and economic impact of herbicide-resistant weeds.
- Scientists determined that herbicide-resistant crops often have improved weed management characteristics, greater yields or economic returns, and similar or reduced environmental impact compared to their conventional counterparts.

Other key agri-environmental activities, results and challenges

In addition to its work related to environmental science, in 2006-07 AAFC provided a range of agri-environmental programs, initiatives and services to producers, and continued its ongoing policy work, to help the agriculture and agri-food sector achieve greater environmental sustainability. This section provides highlights of notable progress on policy and program work, and explains some of the challenges facing the department in 2006-07.

National Agri-Environmental Health Analysis and Reporting Program (NAHARP)

In 2006-07 work continued on the three primary components of NAHARP: Agri-Environmental Indicators, Integrated Environmental/Economic Modelling, and Economic Valuation. The 12 existing indicators and 13 indicators under development measure the environmental performance of the agriculture and agri-food sector in the key priority areas of air quality, water quality, soil quality and biodiversity.

Work in 2006-07 focused on refining, updating and further development of the indicators in preparation for NAHARP's third report, expected in 2009. Under the Integrated/Economic modelling component, work continued on updating APF targets in support of the next generation of agriculture and agri-food policy, and updating and linking the indicators to the CRAM model in order to conduct economic analysis. The Economic Valuation component was initiated in 2006-07 to identify environmental risk in economic terms where no market currently exists. This component will allow AAFC to better assess, in economic terms, environmental risk to the sector.

Environmental Farm Planning

The Environmental Farm Plan (EFP) initiative has exceeded its initial target for program participation, providing close to 65,000 of Canada's producers (28 per cent) with access to tools and information to assess the environmental management of their operations. In turn, they have increased their awareness of environmental risks and opportunities in terms of water, soil, air and biodiversity. This awareness translates into enhanced on-farm action and improved agri-environmental management. Since the program inception, 45,600 producers (20 per cent) have developed a formally reviewed individual or group plan, which identifies specific actions to address risks to air, water, soil and biodiversity. These plans cover an estimated 27 per cent of the total agricultural landscape in Canada.

The number of producers developing reviewed plans continues to increase. In 2006-07 alone, more than 21,000 producers participated in the EFP program, with almost 17,000 developing a reviewed individual or group plan. While individual planning remains the foundation of the national EFP Initiative, the use of the group planning approach has increased with several provinces delivering or piloting group planning, providing an opportunity for provinces to more strategically address regional priorities. In 2006-07, twice as many producers developed a reviewed group farm plan as during the previous year. This approach supports planning by a group of producers addressing a common priority issue for a defined geographical area, and results greater cumulative impact on the landscape.

First Nations EFPs in Saskatchewan

AAFC – PFRA delivered environmental farm planning to First Nations producers on and off reserve lands in Saskatchewan through a contribution agreement with the First Nations Agriculture Council of Saskatchewan (FNACS). Through this process of First Nations delivering to First Nations people, a total of 280 farmers and land managers attended the initial workshop, followed by 146 completed certificates from the FNACS peer reviewed process. The initial target for this group was to have 110 First Nations individual farms complete the workshop. FNACS is working with seven First Nation communities on Community Environmental Farm Plans. These group plans include a review of technical information on soils, land condition, wildlife habitat and environmental issues on each of the First Nations reserves. The target for 2006-07 was to complete 10 community plans on First Nations Bands in Saskatchewan.

National Farm Stewardship Program

The National Farm Stewardship Program (NFSP) provides technical and financial support to help producers adopt beneficial management practices (BMPs) that address actions identified in their reviewed individual or group environmental farm plan. Two components of Greencover Canada, Critical Areas and Shelterbelts, have been integrated into the delivery of NFSP, providing additional technical and financial support to encourage BMP adoption. To date, 16,850 BMP projects have been supported, with a total value of \$63.6 million in federal expenditures

Table 1:
Assessment of Key APF Priority Area addressed by BMP Projects Funded Through National Farm Stewardship Program and Greencover Canada – Critical Areas and Shelterbelt Components.

APF Key Priority Area	Number of BMP Projects Addressing Priority Area ¹	Federal Funding ²	% of Total Projects ³	% of Total Federal Funding ⁴
Improving Water Quality <i>Nutrients, Pathogens, and Pesticides</i>	13,365	\$55,435,682	79%	87%
Improving Water Quantity <i>Water Conservation</i>	554	\$2,482,760	3%	4%
Improving Soil Quality <i>Wind, Water, and Tillage Erosion and Soil Organic Matter</i>	9,823	\$31,065,599	58%	49%
Improving Biodiversity <i>Habitat Availability, Species at Risk, and Wildlife Damage</i>	4,811	\$9,844,654	29%	16%
Improving Air Quality <i>GHG emissions, particulates, and Odour</i>	10,832	\$46,361,046	64%	73%

1,2 Total BMPs projects implemented is 16,850. Total funding was \$63.5 million. However, many BMPs projects have multiple benefits and address more than one Key Priority Area. Thus, individual projects can be included in more than one priority areas. (e.g. improved manure storage BMPs reduces nutrient run-off and reduce GHG emissions. These BMP projects are accounted for in the assessment of both priority areas). As such, the total number of projects and funding outlined in five priority areas in the table exceed the total national project and funding totals under NFSP and Greencover.

3 These represent the number of projects that address the priority area of the 16,850 total projects funded.

4 These represent the funding of those projects that address the priority area of the total program expenditures of \$63.5 million.

under NFSP and Greencover. (See Table 1). For NFSP alone, 13,007 projects have been funded from \$54.4 million in federal expenditures. Recognizing the value of the adoption of BMPs on the landscape, many provinces and stakeholders continue to provide additional financial “top up” funding to producers to implement specific BMPs that address the priorities of these agencies. Total producer, provincial and other stakeholder contributions to these projects is between two and three times the federal commitment.


Producer participation in NFSP increased significantly in 2006-07, with 9,655 projects receiving almost \$39 million in federal funding. This represented a 400 per cent increase in the number of projects supported compared to 2005-06.

Greencover Canada

Greencover Canada provides producers with technical and financial assistance to improve grassland management practices, protect water quality, reduce greenhouse gas emissions, and enhance biodiversity and wildlife habitat. The Land Conversion component of Greencover provides technical and financial assistance

to landowners to convert environmentally sensitive cropland to perennial cover. To date 6,213 projects comprised of 624,704 acres with expenditures to date of \$16.5M have been enrolled in the program, representing 95 per cent of the estimated target for the program. The Technical Assistance Component (TAC) provides financial assistance in support of the accelerated adoption of BMPs by producers for the sustainable use and management of pasture, hayland, critical/riparian areas, and shelterbelts. Under TAC, 174 projects have been approved with expenditures to date of \$4.9 million.

Producers continued to access the various components of Greencover Canada. In 2006-07, 2,031 projects were enrolled in Land Conversion, comprising 211,680 acres. 1,758 BMP projects were funded under Critical Areas and Shelterbelt Components, receiving \$4.58 million in federal expenditures, which represents a 70per cent increase in total projects from the previous year. An additional 30 technical assistance projects were approved during the 2006-07 year that support BMP adoption that meet Greencover objectives.

Additionally, the Watershed Evaluation of Beneficial Management Practices (WEBs)  project, funded under Greencover, continues to quantify the relative environmental and economic effects of selected BMPs on water quality. Results from this project will be used to support future policy and program development to enhance AAFC's ability to work with producers to address agri-environmental objectives and provide public benefit.

National Water Supply Expansion Program

The National Water Supply Expansion Program (NWSEP) provides technical and financial assistance to on-farm and community water infrastructure projects, aiming to reduce the risk of future water shortages for the sector, and to meet its everyday needs through the planning and development of secure, healthy and reliable water resources. The program has helped more than 5,000 projects to date, including 1,251 new projects in 2006-07. In addition, the NWSEP has supported approximately 65 strategic studies designed to get a better understanding of agricultural water supply and demand across Canada and evaluate new water management technologies.

The final NWSEP expenditure for 2006-07 was \$15.914 million. NWSEP met participation targets for most program components, but was slightly below target for project completion in 2006-07.

Community Pastures Program

The Community Pastures Program manages 2.1 million acres of native range land on the prairies through sustainable grazing and range management initiatives. The benefits of the program to Canadians are a productive bio-diverse rangeland and promotion of environmentally responsible land use and practices. The valuable land resource is utilized to compliment livestock production. The program provides stakeholders with expertise and services for the sustainable use of rangeland and water. In January 2007, a new multi-year business plan outlining strategies and commitments for the next five years was approved by the Minister of Agriculture and Agri-Food.

Agroforestry

Agroforestry programs provided through the PFRA's Shelterbelt Centre help prevent soil erosion, protect riparian areas, provide wildlife habitat, and sequester carbon. Tree seedlings delivered to more than 7,000 clients will protect the equivalent of 10,287 hectares of agricultural land, 166 km of riparian land, 228 hectares of wildlife habitat and will sequester 1.3 million tonnes of CO₂ by 2056.

In 2006-07, agroforestry research programs continued to improve tree and shrub adaptation through research on drought and cold adaptation on poplar, gene conservation on native willows and balsam poplar, development of environmental value models, and research on the production and utilization of woody biomass production for bioproducts such as biofuels.

Agriculture and Agri-Food Canada has benefited from the experience of hiring Aboriginal students through the Federal Student Work Experience Program. A total of 34 Aboriginal students from across Canada were hired for jobs within the department fostering relationships between Aboriginal peoples and AAFC. The department has provided, through this program, opportunities to learn about the federal government and allow students to gain valuable experience while developing and improving their employability skills. Aboriginal summer students at the Indian Head Shelterbelt Centre in Saskatchewan earned a valuable experience through activities that included: tree nursery maintenance; agroforestry technology transfer; research and selection of a name for a new poplar variety; and promotion of AAFC and the Prairie Shelterbelt Program at First Nations Science Fairs within Saskatchewan.

Ecological Goods and Services (EG&S)

EG&S are the benefits that human populations derive, directly or indirectly, from healthy functioning ecosystems. Healthy agro-ecosystems can provide numerous EG&S, such as clean water, flood and erosion control, carbon sequestration, and wildlife habitat. EG&S policy development aims to analyze various policy options for the agriculture sector with respect to enhancement of EG&S in Canada.

Progress in 2006-07 included:

- 2006 National Symposium on EG&S was held, gathering together 200 industry and government stakeholders, including international experts, to discuss various policy approaches;
- eight EG&S pilot projects recommended for total funding of \$4.5 million;
- cost-benefit analysis (CBA) of potential EG&S options drafted for tendering. The analysis will be based on achieving measurable environmental improvements and will assess efficiency of a range of instruments, including current programming, tax credits, credit trading, acreage payments, BMP insurance, etc. The CBA is to be completed by March 2008; and
- international EG&S policy experts were consulted on the details and results of their policy approaches. A representative of the UK provided details on that country's Agri-Environmental Schemes, while a representative from Australia provided details on the country's Market-based Initiatives for EG&S. Some of Canada's EG&S pilot projects are incorporating some of the international approaches learned about through these consultations.

Environmental Certification

Early in the 2006-07 fiscal year, AAFC decided to set aside work on a national environmental certification program, based on feedback from provincial governments and industry groups, and the fact that industry-led pilot projects were not successful as anticipated.

The National Land and Water Information Service (NLWIS)

The NLWIS is an Internet-based service being implemented collaboratively with other federal government departments, the sector, provinces, and territories to give producers the information, tools and expertise they need to make environmentally responsible land-use decisions. The service provides interactive maps, data and tools focusing on land, soil, water, climate, and biodiversity resources across Canada. These interactive mapping applications, data and tools provide information to producers and other land-use decision makers to support an environmentally

sustainable agricultural sector. As well they help producers identify and adopt Best Management Practices for soil, water, nutrient, and livestock management and provide data and analysis for the generation of key environmental indicators for the National Agri-Environmental Health Analysis and Reporting Program.

Examples of increased access to data for producers provided through the NLWIS in 2006-07 include:

- acquisition of high resolution imagery data, in conjunction with the Farm Financial Programs Branch of AAFC, to support the Cover Crop Protection Program;
- renewal of acquisition of agriculture census data from Statistics Canada for the Crop Condition Assessment Program for 2007, which will use the 2006 census data. This agreement has been extended from only Western Canada to national programs; and
- acquisition of seamless framework data using the National Topographic Data base from Natural Resources Canada.

The NLWIS is a Major Crown Project, currently in year two of a four-year implementation plan. At the end of the first year of the project, NLWIS provided a single point of access for current applications and data, introduced standards and added a service desk to provide users with better service related to geospatial applications in AAFC. It integrated the dispersed Geographic Information System capabilities within AAFC to provide a unified approach, access and links to existing data and generated a series of deliverables to provide basic support to the APF programs. During the second year of the project, the work focused on building the technology framework, the data warehouse and the data management software on which the new applications and decision tools will be developed. These applications, decision tools and additional data acquisitions are part of Phase 3 implementation activities of the NLWIS project which will provide additional access to the Service as the products are built and move from development to operational mode.


NLWIS is an investment in agri-environmental sustainability. Improved access to data, information and decision tools will provide value to producers and other land-use decision makers. It will help provide the support they need to balance economic development and environmental sustainability. The information will form the basis for environmental farm planning, and help producers make decisions such as the kind of production a particular section of land will best support.


Co-ordination with Government of Canada environmental priorities

In 2006-07, AAFC managed its agri-environmental policies and programs by linking them directly to Canada's overall environmental priorities, while at the same time ensuring cohesiveness with the broader policy priorities of the department and the Government of Canada.

Based on in-depth research and consultations with various industry stakeholders, the provinces, and other government departments such as Environment Canada (EC), AAFC has been able to contribute agri-environmental policy advice to initiatives such as EC's Clean Air agenda. The emergence of the environment as a priority for Canadians has created some challenges, such as determining the net contribution of agriculture to greenhouse gas (GHG) balance (emissions versus sequestration), and required the Government of Canada to respond with new policy approaches.

Related to the federal climate change priority, in 2006-07:

- AAFC, with strong support from producer-level soil conservation groups across Canada, worked with the federal 'sinks team' to ensure that carbon sinks could be used to help countries meet their commitments for reducing greenhouse gas emissions. In February 2007, Canada notified the UN Convention on Climate Change  that it will account for emissions and removals (sequestration) on cropland as part of its accounting system. Canadian croplands are a net sink for carbon dioxide because the rate of soil organic matter increase exceeds the rate of loss, mainly because farmers are direct seeding and using zero tillage practices, using less summerfallow and converting some annual cropland to perennial crops;


- AAFC, on the designation of EC, took over reporting responsibility for agricultural lands under the terms of a memorandum of understanding (MOU) signed in 2004. EC is Canada's central "Inventory Agency," responsible for reporting Canada's national GHG inventory under the UN Convention on Climate Change and the Intergovernmental Panel on Climate Change . The MOU formally recognized that AAFC is responsible for providing annual estimates of the GHG emissions and removals from Canada's agricultural lands to meet international reporting and accounting obligations;
- AAFC, under the terms of the above mentioned MOU, developed an inventory within the National Carbon and Greenhouse Gas Accounting and Verification System (NCGAVS), designed to account for emissions and removals (sinks) from agricultural lands. The inventory is called the Canadian Agricultural Greenhouse Gas Monitoring, Accounting and Reporting System (CanAG-MARS). Inventories of agricultural GHG emissions and removals were generated using CanAG-MARS for submission to the UN Framework on Climate Change in Canada's National Inventory Reports in 2006 (1990 to 2004 emissions) and 2007 (1990 to 2005 emissions); and
- AAFC's National Agroclimate Information Service developed a number of products to enhance understanding of the potential implications of climate change on the agricultural landscape. Examples include statistical analysis of climate data to better understand historic, current and predicted trends in temperature and precipitation and assessment of risk to agriculture from climate and weather extremes. Methodology developed by AAFC scientists resulted in the application of the Intergovernmental Panel on Climate Change (IPCC) climate change scenarios to the AAFC Land Suitability Rating System, which helps producers assess risks and make cropping decisions.

Pesticide Risk Reduction Program

AAFC is involved in the development of pesticide risk reduction strategies with the support and participation of agricultural stakeholders. These strategies identify pest management tools and integrated pest management practices that need to be developed or implemented in order to address priority issues identified by Canadian growers. Projects are funded to support the implementation of strategies resulting in effective alternative reduced risk pest-management solutions for growers.

In 2006-07, 30 research and implementation projects were funded to develop innovative reduced risk tools, technologies, products and practices. An innovative carrot foliage trimmer was designed and tested, resulting in a 75 per cent reduction of disease incidence compared to conventional control methods. A novel tool for quick and economical identification of fungicide resistant apple scab strains will help growers avoid the use of ineffective fungicides and reduce fungicide use. Most projects involved a grower communication component, such as the production of laminated field cards, factsheets, booklets, field tours and grower meetings. Promoting grower pest management needs and working directly with a number of biopesticide companies has resulted in regulatory submissions for new priority products such as, two new biopesticides for the suppression of fire blight in apples and pears.

Minor Use Pesticide Program

AAFC conducts field trials and laboratory analyses to obtain the required data for the registration of new minor uses of pesticides to control pest problems identified through a grower-driven priority setting workshop. In 2006-07, more than 400 field trials were conducted and 41 submissions for new minor uses were submitted for evaluation to Health Canada's Pest Management Regulatory Agency . Since the program's inception in 2002, more than 40 new registrations have been obtained, resulting in over 120 new uses of pest control products.

STRATEGIC OUTCOME: INNOVATION FOR GROWTH

Program Activity: Innovation and Renewal

Innovation and Renewal – 2006-2007

Actual Spending (Net) \$ Millions	Full Time Equivalents
544.3	2,012

Increasingly rapid advances in science and technology mean producers and other industry stakeholders face greater challenges to keep pace. All players in the sector – from primary producers to value-added processors – require access to state-of-the-art technology, combined with the latest knowledge, to help them address rapidly changing consumer needs and expectations. More than ever, keeping on top of change is key to profitability.

In addition, as farming operations become larger and more complex, both new and established producers need to regularly add to their skills and knowledge, whether managing financial and human resources or mastering innovative technologies, products and practices, to stay competitive. By acquiring additional skills, adopting new technologies, maximizing efficiencies in operations, or changing product mixes, those who earn their livelihoods in the Canadian agriculture and agri-food business will continue to be successful in the 21st century.

To a large degree, the competitive position of Canada's agriculture and agri-food sector will depend on all stakeholders – including producers, processors, researchers, etc. – working closely to develop new opportunities across the country. At the same time, governments will work with industry to foster a climate for innovation that encourages investment in the sector.

Details of Performance

The expected results for the department's Innovation and Renewal program activity in 2006-07 were:

- increased market opportunities for the agriculture and agri-food sector;
- Canadian farmers optimize their businesses through renewal programming and services;

- utilization of advances in value-added research that enable farmers, processors, rural communities, and service providers to differentiate their products and services;
- Science and Innovation Business Plan that integrates national science and innovation capacity for the agriculture and agri-food sector;
- utilization of advances in innovative production systems;
- innovation programming strengthened due to enhanced linkages within and between science and innovation community and the agriculture and agri-food value chain;
- utilization by the agriculture and agri-food sector of advances in crop genetic advancement; and
- enhanced and integrated approach to Innovation and Renewal Policy.

Many of the 2006-07 performance results listed below cut across several Expected Result areas. For the purpose of this report, results are reported in relation to the Expected Result to which they primarily apply. If they apply to additional results, that fact is mentioned and a link is provided.

Expected Result:	Increased market opportunities for the agriculture and agri-food sector
Status:	Met

Science and innovation are key to helping the Canadian agriculture and agri-food develop and take advantage of new market opportunities. To this end, AAFC's launched its Science and Innovation Strategy in 2006-07. More information and detailed results on the plan are available in the Expected Results section below (link), titled *Science and Innovation Business Plan that integrates national science and innovation capacity for the agriculture and agri-food sector*.

Sub-Sub-Activity: Broker and Agri-Innovation Programs

In 2006-07, AAFC delivered two science-based programs – the Broker and Agri-Innovation Programs – designed to bring together a full spectrum of organizations to accelerate the adoption of innovation and the commercialization of products into the marketplace, and increase opportunities for farmers.

These two five-year contribution programs work hand-in-hand to achieve results: The Broker Program supports a number of “broker” and producer organizations working between industry, government and universities to foster strategic innovation opportunities, while the Agri-Innovation Program supports projects and opportunities identified by the broker processes. Approved projects bring together key players along entire value-chains and act as mechanisms for co-operation in research, production and marketing.

In 2006-07:

- eight national contribution projects were approved, for a total new funding commitment of \$3.6 million. Since 2004, 23 multi-year projects have been approved, for a total investment of \$22 million. The program has already surpassed its goal of 10 - 15 projects.

The opportunities created through these projects have increased dramatically during the latter part of the programs, as awareness and interest on the part of the sector have increased. As an example of the success of the program, demand for funding reached a high in 2006-07, with 40 project applications submitted. Examples of successful projects under the programs can be found at: <http://www4.agr.gc.ca/AAFC-AAC/display-afficher.do?id=1176220287890&lang=e>.

While the program has been a success, it has faced some challenges. Some of the areas where improvements could be made include:

- more clearly formalizing the program proposal and management process;
- improving program promotion;
- speeding up departmental clearance and approval of Contribution and Collateral Agreements;
- improving linkages of key initiatives with AAFC Science, Marketing and Policy teams, value-chain roundtables, and Science Advisory Board;
- improving linkages of innovation with related policy and program initiatives and activities inside and outside of AAFC; and
- co-ordination of bioeconomy development efforts with other federal departments and provincial governments.

Sub-Activity: Advancing Canadian Agriculture and Agri-Food program

The Advancing Canadian Agriculture and Agri-Food (ACAAF) program is a five-year, \$240 million program designed to help Canada's agriculture and agri-food sector seize new market opportunities, respond to current and emerging issues and contribute to the direction of future policies and programs for the sector. In 2006-07, the program continued its innovative and co-operative approach to funding projects at the national, multi-regional and regional levels. The program is delivered both nationally and regionally.

In 2006-07, the program approved a total of 333 new projects, for a total commitment of \$32.3 million. Of these 333 new projects, the national component approved 31 new projects for a total commitment of \$14.1 million and the 14 regional Industry Councils approved 302 new projects, for a total commitment of \$18.2 million. Of the 302 new regional projects, 54 were multi-regional collective outcome projects. Collective outcome projects foster greater collaboration among national, regional and multi-regional stakeholders. The councils participating in these projects received national ACAAF matching funds, which in 2006-07 totalled \$2.85 million.

The ACAAF program has been designed to address new issues as they emerge to be responsive to the agriculture and agri-food sector's constantly changing opportunities and challenges. In 2006-07, as part of the commitments above, a total of \$4.5 million was allocated to eight ecological goods and services (EG&S) pilot projects. The expectation is that these projects will contribute measurable results to future EG&S policy development.

In July 2006, AAFC launched the Biofuels Opportunities for Producers Initiative (BOPI), a two-year, \$20-million initiative under the ACAAF program. It was designed to help farmers and rural communities conduct feasibility studies and develop sound, viable business proposals to create and expand biofuel production capacity involving significant ownership by agricultural producers. Building on the innovative industry-led regional delivery of the ACAAF program, the BOPI is delivered by the ACAAF regional Industry Councils. Funding for the BOPI is in addition to regular ACAAF funding.

In 2006-07, 86 projects received funding under BOPI, for a total funding commitment of \$11.4 million in all provinces and territories, with the exception of Nunavut and British Columbia. For 2007-08, the remaining available funds will be dedicated to new projects approved by the regional Industry Councils. As well, the results of the initial set of projects will become apparent as most of them were not scheduled to conclude until this fiscal year.

For details on the ACAAF program's contribution to achieving other Expected Results under the Innovation for Growth Strategic Outcome, please see page 71.

Expected Result:	Canadian farmers optimize their businesses through renewal programming and services
Status:	Mostly Met

Sub-Activity: Renewal Programs

Research on farm business management and training indicates that farm income is correlated to management skills. Additionally, total income is increasingly associated with off-farm work, value-added and provision of additional services to the public. Statistics Canada reported that off-farm income accounted for 78.8 per cent of total farm family income in 2004, matching the highest proportion reached during any point in the last decade. This ratio reflects not only rising income from off-farm activities but also declining realized net income from on-farm activities. In fact, Statistics Canada reported that realized net income for Canadian farmers (the difference between a farmer's cash receipts and operating expenses minus depreciation, plus income in kind) fell for the second consecutive year in 2006 to \$1.1 billion, its lowest level since 2003.

Participation in Renewal programming allows producers to moderate the impact of increases in input costs, decreases in commodity prices and downturns in production that can effect realized net income. This programming strengthens the ability of producers to make business decisions by facilitating access to advisory services, training, benchmark information, assistance for business plans and succession plans, and by providing networking opportunities to explore options to enhance income and profitability. These skills and services could potentially affect and inform

producers' decisions around farm purchase, expansion, diversification and transfer, development and management of agri-business, and accessing off-farm income. However, the impact is often difficult to detect on a sectoral basis because of the high variability in farm incomes, the number of years that it requires for impacts to reach a large proportion of the farm population, and the time it takes to make changes in individual operations.

While it is still too early in the life of AAFC's Renewal programming to properly document behavioural change and determine the overall impact of these programs, some of the benefits Renewal programs provide to farmers and the entire sector include:

- professionally prepared financial statements with associated recommendations, which helps farmers to make informed management decisions to reach their business and personal goals and may increase farm income;
- retirement and transfer plans, which helps to prepare all individuals involved, for the changes that may or will occur at the time of retirement or transfer;
- training to enhance on-farm operations including training in: business management, accounting, finance, risk management, human resources and more. This training has led to improved skills and can help producers to take an active role in monitoring the performance of their operation and making informed decisions that will help to improve their profitability and income;
- training to secure off-farm income, which may help to enhance the likelihood for farm business continuity;
- the creation of value-added business plans, which helps to ensure successful start-up or expansion of value-added enterprises that meet consumer and market demands.

Following is a list of Renewal programs offered through AAFC in 2006-07, with detailed results for each program.

Advisory Services

Advisory services and expert advice are delivered through two Renewal programs: Canadian Farm Business Advisory Services and Planning and Assessment for Value-Added Enterprises. In 2006-07, a total of 5,436 producers across Canada applied to participate in the two programs – a 48 per cent increase in applicants compared to the previous year.

Canadian Farm Business Advisory Services (CFBAS)

CFBAS gives eligible producers access to consultants who can assess their financial situations, help them set goals for their business and develop plans to meet those goals. The result of the process is improved farm management. The service has two components: the Farm Business Assessment (FBA), which provides eligible producers with up to five days of consultation services, including a Farm Financial Assessment and Action Plan; and Specialized Business Planning Service (SBPS), which offers assistance to producers to hire consultants who help prepare specialized plans related to areas such as diversification, succession planning, marketing, or risk management. In 2006-07, a total of 4,793 producers applied to the FBA program and 596 applied to SBPS – an increase in applicants as compared to the previous year of 33 per cent and 34 per cent for FBA and SBPS respectively.


In 2006-07:

- more than 80 per cent of FBA participants reported they were satisfied with the program;
- 57 per cent of FBA participants were confident their FBA would lead to improved farm income and profitability;
- 77 per cent of SBPS participants indicated the program had helped them develop a more realistic and comprehensive plan for their farms.

Planning and Assessment for Value-Added Enterprises (PAVE)

PAVE is intended for producers who are considering expanding or establishing a value-added enterprise. It provides assistance to hire a business-planning professional to develop a feasibility assessment and comprehensive business plan. In 2006-07, a total of 45 producers applied to PAVE – a decrease in applicants compared to the previous year by just under 30 per cent.

Benchmarking

To complement to advisory services discussed above, an electronic financial tool called Benchmark for Success was created to allow producers to compare the financial performance of their farm with other farms of similar size and type, and thus enable farmers to make better informed decisions about their business operations. Since 2003, close to 30,000 Benchmark for Success CD-ROMs have been distributed upon request, including 32,900 in 2006-07. The tool is also available online .

Farm Debt Mediation Services (FDMS)

Sometimes, farmers' financial situations are such that they need assistance of a different nature. FDMS, operational since April 1998, is a legislated program that provides insolvent farmers and their creditors with mediation services to help them arrive at a mutually satisfactory arrangement. The service is a private, confidential and economical alternative to the process of resolving insolvency disputes in the courts.

FDMS is as a mature and established program that is achieving its objectives. It is well-accepted throughout the farming and farm-lending community.

In 2006-07:

- FDMS received 481 applications from farmers. These farmers received the services of a consultant who provided them with farm financial statements and a recovery plan in order to help them improve their financial situation. In addition, these producers were provided with the opportunity to use a mediator to facilitate discussions with creditors regarding the recovery of debt. An evaluation is currently underway to determine the success of FDMS participants' recovery plans and agreements with their creditors.

Skills Development

Initiatives in the area of skills development aim to help producers become more competitive and profitable by assessing skills and getting training in business management, accounting, finance, and human-resource management.

Canadian Agricultural Skills Service (CASS)

CASS provides financial assistance to farmers and their spouses to obtain a skills assessment and to access training for new opportunities, both on- and off-farm, to increase profitability and open up choice for alternate sources of income. The CASS is targeted to producers and their spouses with a net family income of \$45,000 or less. It is available in all provinces and territories except Quebec, which offers an alternative skills initiative.

In 2006-07:

- 6,528 producers applied to participate in CASS, a 160-per-cent increase compared to the previous year; and
- 83 per cent of CASS participants indicated they are satisfied with the program.

Other notable Renewal programs and results

In 2006-07:

- the Canadian Farm Business Management Council (CFBMC) developed and distributed advanced farm-management information, tools, programs and services for established and beginning farmers. The leading edge resources they provided enabled Canadian farmers to make sound management decisions. These resources included: farm succession and transfer management tools, speakers for national and international conferences and training seminars, the publication of the FarmCenter journal, two National Agriculture Excellence Conferences, numerous agri-webinars, farm business management publications, web-based courses and the management of the popular farmcentre.com web site;

- the Canadian 4-H Council enhanced youth leadership by providing opportunities to learn through national apprenticeship programs and services. 4-H youth and leaders, many of whom will become the next generation of Canadian farmers, develop a strong base of skills and knowledge through educational projects and 4-H opportunities such as livestock judging, equestrian camps, club activities, farm safety training, public speaking workshops and competitions, numerous leadership and farm skills training videos and the opportunity to attend four national conferences centered around career planning, the Canadian Government System, Leadership and Volunteer Leaders skills;
- the Canadian Agricultural Safety Association (CASA) improved the health and safety conditions of the men, women and children that work and live on Canadian farms. The organization plays a facilitation role in the networking of stakeholders interested in agricultural health and safety in Canada and fosters improvements in safety practices and machinery design in order to reduce farm accidents. CASA organized 43 Farm Safety Days in Alberta, Saskatchewan, Ontario, Quebec and P.E.I., reaching 4,721 children. CASA also organizes the National Farm Safety Week, national conferences and gathers data about farm safety across Canada;
- the Canadian Young Farmers Forum (CYFF) facilitates the exchange of information and best farming practices amongst young and beginning farmers between the ages of 18 to 40 from across Canada. CYFF members organize and participate in provincial, national and international conferences. They are regularly invited to discuss the issues and concerns of young and beginning Canadian farmers by parliamentarians and senior governmental and industry leaders;
- the Canadian Outstanding Young Farmers Program recognize young farmers between the ages of 18 and 39 that exemplify excellence in their profession. Each year, one farming couple is selected from each of the program's seven Regional Recognition Events to represent their respective region at the National Recognition Event. At the National Event, the seven honourees are recognized for their achievement and two of the seven honourees are chosen by the judges as Canada's Outstanding Young Farmers.

Canadian Farm Family Options Program

This pilot program, announced in Budget 2006, provides \$550 million over two years to help lower-income farm families explore options to raise their income for the future and provide short-term income support to lower-income farm families. Part of the program is delivered in collaboration with Farm Credit Canada through a memorandum of understanding. Changes to the second year of the program reduced the original budget of \$550 million to \$303 million. Eligible applicants receive a payment to bring them to a maximum income of \$25,000 for families and \$15,000 for individuals if they have a commercial farm. To receive a second year payment, a participant must have completed or be in the process of undertaking a business planning and skills development program.

To be eligible, a participant must have reported gross farming income of at least \$50,000 to the Canada Revenue Agency for 2005 and 2006, and must commit to completing one of the following Renewal activities by November 20, 2008:

- a Farm Business Assessment offered by the Canadian Farm Business Advisory Services, or an approved equivalent activity offered through other services;
- an Individual Learning Plan and skills training through the Canadian Agricultural Skills Service or an approved equivalent activity offered through other services.

The FBA and CASS programs offered by Renewal Services are provided free of charge to applicants of the Canadian Farm Families Options Program. By applying for Options and receiving a payment, participants commit to completing a Renewal activity by November 20, 2008.

In 2006-07:

- 17,092 applications were received;
- \$143 million has been distributed to 15,146 farm families and individuals farmers, with an average payment per participant of \$9,450;

- 30 per cent of participants have applied to the business planning and skills development component. Of the eligible participants who received an Options payment in the first year, it is anticipated that 70 per cent of participants will return in Year 2 and will sign-up for their Renewal activity between June and October 2007.

It is still too early in the program's life to accurately determine its impact. The program is progressing as planned, although the number of funding recipients enrolled in business planning and skills development programs is lower than targeted. This has contributed to the Mostly Met performance rating for Renewal Programs.

Options will continue to be offered for the 2006 program year to farm families and individual farmers who received a 2005 Options payment (including applicants who were eligible but were not issued a cheque because it was less than \$100). The 2006 program will not be available to those not already participating in Options.

Expected Result:	Utilization of advances in value-added research that enable farmers, processors, rural communities, and service providers to differentiate their products and services
-------------------------	--

Status:	Partially Met
----------------	---------------

Research on export markets and innovative business strategies, as well as support through the ACAAF program, have provided incentives for the formation of value chains in the agriculture and agri-food sector. Over the past few years, the number of value chains developed in Canada increased. Most of these value chains are producing and marketing high-valued and differentiated products to the domestic and international markets.

However, detailed performance data is not available for this Expected Result, and as such it has been assigned a rating of Partially Met.

Expected Result:	Science and Innovation Business Plan that integrates national science and innovation capacity for the agriculture and agri-food sector
-------------------------	--

Status:	Met
----------------	-----

In October and November 2005, AAFC undertook national science consultations designed to help set the direction and priorities for the development of a national science and innovation business plan. The result was the department's Science and Innovation Strategy , which was officially launched in May 2006.

The strategy identifies seven management goals for science and innovation, and seven national research priorities designed to build a competitive edge for the agriculture and agri-food sector. It supports economic growth, improved competitiveness of the Canadian agriculture and agri-food sector and farm profitability by positioning the sector to capture significant growth opportunities that exist for non-food products such as biomaterials, bio-medical and bio-health products, bio-energy, bio-chemicals and biopharmaceuticals.

In 2006-07, AAFC worked to implement and deliver the strategy. Specifically, the department:

- established an external peer review process to enhance value for money in research;
- developed and implemented the Agricultural Bioproducts Innovation Program (ABIP); and
- worked towards the development of a national innovation co-ordination mechanism to provide advice on research priority setting and research planning for the Canadian agriculture and agri-food sector, and facilitate the development of multi-stakeholder partnerships to address national research priorities.

These initiatives fulfilled key strategic goals outlined in the strategy, most notably:

- building partnerships that will lead to concrete results;
- pursuing excellence in conducting and managing departmental science and research efforts; and
- extending the integrated national science and innovation capacity to the bioeconomy.

External Peer Review of Research Projects at Agriculture and Agri-Food Canada

In June 2006, AAFC launched a new External Peer Review process by which AAFC submits research proposals for external evaluation by the scientific community prior to allocating funding. This process helps the department ensure scientific excellence and relevance in its research activities by targeted investments of public funds in priority areas of national importance to the agriculture and agri-food sector and Canadians. The process also delivers on one of the key strategic goals identified in the Science and Innovation Strategy: *Pursuing excellence in conducting and managing science and research efforts*.

During the months of January and February 2007, four panels (Environment and Ecology, Plant Science, Animal Science and Food Science), comprised of 38 expert scientists from organizations outside AAFC, evaluated research proposals using preliminary evaluations of 330 external experts and the following selection criteria: 1) scientific excellence of the scientists, 2) scientific merit and originality of the proposal, 3) contribution to innovation and to AAFC National Priorities, and 4) feasibility or the potential to achieve objectives and deliver outputs.

The scientists were encouraged to develop integrated, multi-disciplinary research proposals that involved teams of scientists and included research coordination and collaboration with other government departments and agencies, academia and or industry.

The evaluation of research proposals by external expert scientists is a well recognized best practice and is widely used in the scientific community nationally and internationally. The process used at AAFC was designed to take into account the mandate, constraints and federal research context.

Outcome, evaluation and benefits of the External Peer Review

The results of the External Peer Review process were well received, and 233 research proposals received funding for delivery in 2007-08. Many of the projects involve large teams, bringing together scientists from multiple AAFC research centres across Canada. The results of the review were announced to the public in March 2007.

Overall, AAFC scientists recognized the merit and value associated with the establishment of an external peer review process. It is an accepted part of the scientific culture. Several comments and suggestions for improvement were collected from scientists who submitted research proposals in the 2007-08 evaluation, and this feedback will be used to refine the process for coming years.

The External Peer Review process fulfilled the need for a process to ensure the credibility of federal science activities, and, more importantly, to ensure the sound investment of public funds in research projects that align with national research priorities identified in the AAFC Science and Innovation Strategy. These national research priorities were developed from feedback after extensive national consultations with key stakeholders, producers, processors, and other agri-industry organizations, as well as provincial, university, and other federal department representatives.

Agricultural Bioproducts Innovation Program (ABIP)

In 2006-07, the department launched the Agricultural Bioproducts Innovation Program (ABIP), a five-year program with planned spending of \$145 million, designed to mobilize Canada's creative talent in the academic, private and public sectors in new and existing science and innovation networks to help Canada exploit its natural advantage in biomass in support of a bio-based economy. The program also delivers on two of the key strategic goals identified in AAFC's Science and Innovation Strategy: *Building partnerships that will lead to concrete results* and *Extending the integrated national science and innovation capacity to the bioeconomy*.

The ABIP will enhance linkages within and between the science and innovation community including academia, and the public and private sector. Currently, the program development has been completed, and applications for funding are now being submitted and evaluated.

Expected Result:	Utilization of advances in innovative production systems
Status:	Met

AAFC's crop production system research in 2006-07 focused on effectiveness of productivity, which includes efficiency of production, crop quality, economic and environmental sustainability.

Of note, in 2006-07:

- minor use label expansions were granted for 1) The Use of Buctril M Emulsifiable Selective Weedkiller (bromoxynil and MCPA), Reg. No. 18022 for the control of labeled broadleaf weeds on perennial cereal rye, and 2) the use of Achieve Liquid Herbicide (Tralkoxydim), PCP 27011, for the control of labeled weeds on perennial cereal rye grown in the prairie region. The control of weeds will enhance the yield of the perennial cereal rye enhancing its use for the production of silage for cattle;
- novel analytical techniques were developed to establish the role of soluble silicon in plants to protect them against the powdery mildew pathosystem. It was found that soluble silicon enabled crops to withstand stress and have increased resistance to disease;
- improved control of plant diseases in barley was developed. Crop production factors associated with persistence of Fusarium head blight, root rot and leaf spots in cereals were delineated. Apparently tillage system, previous pesticide use and previous crop residue were all sources of the diseases and could affect vigour and yield from subsequent cereal crops on the land. The published information is valuable in developing best management practices for the production of barley with reduced disease incidence, thus higher yielding;
- carrot production without Sclerotinia was improved. Sclerotinia rot of carrots is a major disease in carrots with no chemical control. Preliminary research 5-7 yrs. ago in Ontario on carrots grown on muck soils indicated canopy trimming may reduce disease levels. A scientist at the AAFC Research Centre in Charlottetown, P.E.I. led a team that designed, constructed and tested a four-row commercial prototype that would successfully trim the canopy of carrots grown on raised beds. Trimming at row closure reduced disease by 80 per cent. Oxford Frozen Foods Ltd., the largest carrot processor east of the Mississippi, is in the process of building a nine-row

commercial unit, based on the original AAFC design, for use on 500 acres of carrots in 2007 and up to 2,000 acres in 2008.

- economical weed control in wheat crops was improved. The value of sweet clover as a weed controlling cover crop for subsequent wheat crops was established by AAFC scientists. It was demonstrated that cutting and leaving the sweet clover through fall would reduce weeds in wheat crops that followed and provided nitrogen, reducing the requirement of fertilizer applications thus reducing input cost yet boosting yields of wheat.

AAFC's livestock production system research in 2006-07 focused on developing new technology to reduce production costs, and improve product safety, quality and animal health.

Of note, in 2006-07:

- the results of three years of research provided to the CFIA showed that vector-based transmission of cattle bluetongue disease was an extremely low risk from cattle imported from the U.S. to domestic cattle, based on weather differences and the vector's life cycle. On the basis of this work, the CFIA has relaxed import regulations and feeder cattle can now be more easily imported from the United States, partly settling a long-standing trade dispute for cattle movement in the North American market;
- research by the Western Forage Beef Group at Lacombe Research Centre, Brandon Research Centre and Nappan Research Farm has shown costs of wintering cows can be reduced by 40- to 50-per-cent through the cost savings of not having to harvest, haul, store feed and feed beef cows in a wintering feeding facility. In addition there is a considerable saving of not having to haul manure in the spring time. There are also reduced labour costs. These cost savings of approximately \$70 per cow, per winter, translate into an overall cost savings of over \$50 million annually for the Canadian cow calf producer. It is estimated that 40- to 50-per-cent of the cows in Western Canada are now winter-fed using the new approaches developed from this research effort. Several popular publications have been developed on this research and to date 6000 copies have been distributed;

- multiple approaches were evaluated to identify cattle management conditions to reduce pathogenic E. coli shedding in manure, including animal management, microbial intervention and feeding strategies to progressively eliminate shedding of E.coli by cattle to protect the food supply, water and the environment; and
- the dietary strategies that would elevate the concentration of factors to provide positive health consequences were investigated. Research indicated that provision of sunflower seeds or flax at 15 per cent of the diet to cattle doubled the content of conjugated linoleic acid (CLA) in milk and beef. CLA reduces number of fat cells, provides protection from compounds that cause cancer and decreases symptoms of diabetes in consumers. Along with CLA, compounds that reduce inflammation and coronary disease were found to be increased by 40 per cent in meat of pastured cattle. Canadians consume about 31kg of beef annually thus producing such beef to provide health protection through a dietary staple may be an important avenue to reduce overall health care costs.

Other key results

Significant new knowledge was gained in 2006-07 as indicated by the 446 peer-reviewed scientific manuscripts published by AAFC scientists during the year. Substantial technology transfer activities were undertaken by the scientists in Sustainable Production Systems, thus gaining personal professional growth and improving the profile of AAFC's research contribution in Canada and abroad. The total flow back to AAFC from royalties is \$4.6 million from the varieties and technologies licensed, clearly signalling the importance placed in the research output from AAFC.

To strengthen innovation flow from research by the science and innovation community to producers and then to consumers, and along the entire agriculture and agri-food value-chain, investments of \$5.37 million were committed in 2006-07 through the Matching Investment Initiative (MII), under which industry investments in research are matched by AAFC funds.

Furthermore, agreements were signed with the Western Grains Research Foundation, for a total of \$12.24 million from 2005-10 to support AAFC research in wheat and barley development. This funding has been invested largely in 22 projects under Genetic Enhancement and Crop Production.

A similar agreement has been signed with the Okanagan Plant Improvement Corporation to support work in small fruit. This is a ten-year agreement, and funds flow from the royalties received for the licensing of AAFC varieties of small fruit. The royalties (approximately \$260,000 per year) are provided for research.

Expected Result:	Innovation programming strengthened due to enhanced linkages within and between science and innovation community and the agriculture and agri-food value chain
Status:	Met

In 2006-07, AAFC introduced yellow-seeded napus canola into Canadian and international research and development collaborations, helping establish a strategic alliance of Canadian researchers to produce the next generation of canola, with more oil-bearing and nutritional qualities.

This resulted in:

- an enhanced scientific capacity, which will be required to enhance Canada's canola varieties and guard its position as the world leader in the global dollar canola industry, represented by about \$2.5 billion of Canadian economic activity;
- the creation of new regional and science partnerships between AAFC and Canadian universities and other governmental organizations;
- the positioning of Canada to better collaborate and compete with other canola research alliances around the world; and
- a way to ensure new and existing canola varieties used in this collaboration are transferred to Canadian and international collaborators in a way that optimally protects Canada's intellectual property legacy arising from this research.

This agreement achieved benefits for:

- Canadian producers, by having AAFC and other parties pool their resources to create new canola varieties that will continue to enhance their economic position in world canola markets;
- the agriculture and agri-food sector, by having new canola varieties that are better in tune with their food meal needs as well as oil-producing activities; and
- Canadian consumers, from having the potential for new canola-based products with superior nutritional varieties.

This initiative also contributes to the Expected Result below titled *Utilization by the agriculture and agri-food sector of advances in crop genetic advancement*.

Also of note in 2006-07:

- a cherry breeding agreement between Canada and Chile was executed. This agreement further facilitates the development and international interchange of new cherry varieties by doubling the speed at which they can be evaluated;
- an umbrella agreement was executed co-ordinating the research efforts of AAFC, Alberta Agriculture and Food, the Alberta Research Council, and the University of Alberta. This agreement contains two key areas of relevance to AAFC: 1) three AAFC scientists will be co-located on the University of Alberta campus, and 2) an AAFC-driven project on value-added meats will be based out of the department's Lacombe Research Centre.

Expected Result:	Utilization by the agriculture and agri-food sector of advances in crop genetic advancement
Status:	Met

AAFC has a long history of providing the agriculture and agri-food sector with scientifically investigated knowledge, technologies and resources that improve the quality and quantity of agricultural products and increase the efficiency and competitiveness of the sector.

The department's genetic enhancement research in 2006-07 focused on developing new cultivars of crops with improved yield, disease resistance, quality and resistance to environmental stress.

New varieties

Of note, in 2006-07:

- new varieties of wheat, barley, oats, oilseeds, beans, peas, vegetables, fruits, berries and roses were developed, registered by the CFIA and licensed to 23 producers for production
- AAFC-developed wheat varieties with improved yield, disease resistance and quality are currently planted on more than 70 per cent of the 7.5 million hectares for hard red spring wheat and 100 per cent of the seeded 1.7 million hectares for durum (pasta) wheat. Strongfield, the first durum wheat variety in the world with low cadmium levels, is growing in importance as demand for its special quality increases.
- AAFC obtained registration for the first wheat varieties with natural resistance to the orange blossom midge fly. These varieties have been licensed to the private sector for seed increase and sale to farmers;
- a research partnership developed between AAFC and Quebec lettuce producers resulted in the creation of crisp-head lettuce varieties. These varieties have generated interest from California and Spain;
- seven of the licenses granted to industry for varieties developed by AAFC earned the royalties; these royalties were received for wheat varieties – Strongfield, AC Lillian, AC Barrie, AC Superb and Kane (BW342; CWRS), AC Metcalf barley, Rose varieties and Staccato cherries.

Novel technologies

Of note, in 2006-07:

- research results by AAFC scientists were published in peer-reviewed primary journals indicating generation of new knowledge;
- intellectual properties developed were protected by patents. Patent was granted (US patent # 6,955,016) for methods developed to accelerate the generation

of fertile plants which will help increase the rate at which genetic improvement of traits can be introduced, an Australian patent was granted (# 783733) for novel technologies for production of seeds, oils and seed meals from *Sinapis alba* (white mustard), and a Canadian patent was granted (#7,081,564) for the encoding of an enzyme in oilseeds which can alter the fatty acid composition of the oil in oilseeds, thus making the oil more suited than before for their intended use (increasing health-enhancing characteristics and increasing the utility of the oil in industrial applications). Four U.S. patents were granted for strawberry and apple varieties developed by AAFC scientists because of the enhanced advantages of disease resistance and winter hardiness of the plants, early fruit production, increased shelf life of the fruit and other desirable characteristics (low browning upon exposure to atmospheric oxygen). Seventeen newly developed varieties were registered by the CFIA for a number of crops because they were recognized as providing advantages to the producer and/or consumer with respect to improved yield and disease resistance.

Expected Result:	Enhanced and integrated approach to Innovation and Renewal Policy
Status:	Mostly Met

AAFC's Science and Innovation Strategy and the Agricultural Policy Framework identify the need for the department to play a leadership role in the co-ordination and optimization of innovation resources to support an integrated national agriculture innovation system.

In 2006-07, AAFC engaged in discussion with stakeholders, academia and government to explore options for establishing a national innovation co-ordination mechanism designed to:

- facilitate a collaborative environment with federal partners, provincial governments, universities, and industry to define research requirements;
- optimize public investment in developing and maintaining an integrated national capacity and capability in support of innovation;
- mobilize public-private actions to support innovation chains; and
- engage public-private investors in helping to develop and capture new opportunities from agriculture.

This mechanism would provide advice on:

- research priority setting and research planning for the Canadian agriculture and agri-food sector, and facilitate the development of multi-stakeholder partnerships to address national research priorities;
- the strategic national agriculture and agri-food science capacity requirements to support the vision for the Canadian agriculture and agri-food sector now, and in the future; and
- identifying strategic gaps in national science capacity.

Sub-Activity: Advancing Canadian Agriculture and Agri-Food (ACAAF)  program

The ACAA program also contributed in 2006-07 to helping AAFC achieve results under this Expected Result, by supporting the sector to contribute to the future direction of agriculture and agri-food policy. ACAA supported sector-led projects addressing new and emerging issues that may lead to new programs for integration into future federal, provincial or territorial government or industry initiatives.

Program Activity: Markets and International 

Markets and International (30%) - 2006-2007

Actual Spending (Net) \$ Millions	Full Time Equivalent
39.3	212

Global competition continues to intensify, meaning Canadian producers and processors must be continually innovative to stay ahead of their competitors and best meet market demands.

In 2006-07, the goal of AAFC's international strategy was to use improvements in food quality, safety and environmental sustainability to brand Canada and maximize global sales for Canadian producers and processors. This strategy was based on certain key principles, including: leveraging domestic program development to maximize international reputation and market access; linking all research and analytical work to create a comprehensive understanding of market opportunities and challenges; engaging industry continuously and through new relationships to ensure maximum effectiveness of programming; and

working closely with portfolio partners, such as the CDC and the NFPC, other government departments and provinces to ensure that international approaches are cohesive and effective.

The strategic objectives of AAFC's international component are two-fold: to achieve greater recognition, at home and abroad, of Canada's world-leading capacity to meet the demands for quality in a rapidly changing and highly segmented global market; and to expand the industry's access to foreign markets.

Details of Performance

The expected results for the department's Markets and International program activity under the Innovation for Growth strategic outcome in 2006-07 were:

- increased exports of Canadian agriculture and food products;
- increased domestic and foreign investment in Canada's agriculture and food sector;
- increased domestic market share of Canadian agriculture and food products; and
- increased recognition of Canadian products and capabilities.

Expected Result:	Increased exports of Canadian agriculture and food products
Status:	Mostly Met

Progress on this Expected Result is shared with the Security of the Food System Strategic Outcome on page 40.

Sub-Activity: Canadian Agriculture and Food International (CAFI) program

The CAFI program provides funding for industry initiatives designed to increase international sales of Canadian agriculture and food products, by building upon Canada's reputation as a provider of high-quality, safe and innovative agriculture, agri-food, beverage, and seafood products.

In 2006-07, through initiatives funded under the CAFI program:

- the Canadian Aquaculture Industry Alliance, despite a challenging year, took advantage of reduced competition from Chile in the U.S. market and increased the value of its exports by nearly 19 per cent;
- Chilled pork exports grew by 24 per cent in volume and experienced a 5 per cent growth in value. Canadian pork exports continue to expand even in light of a number of challenges facing the sector such as labour shortages, and the high Canadian dollar;
- the Canadian Beef Export Federation produced a six-country (Japan, Taiwan, South Korea, China, Hong Kong and Mexico) comparative market intelligence report regarding activities such as promotion, awareness and knowledge of Canadian beef. Respondents were supportive of the federation's efforts to promote Canadian beef in their countries and offered constructive suggestions on how to improve their work;
- Pulse Canada continued its work to identify buyer requirements and provide feedback to the Canadian scientific community on priority areas to meet market demands. Pulse Canada updated 42 country profiles including exports, tariff rates, market share and consumption for their Market Intelligence Database, and developed a standard template for competitive intelligence-gathering in Turkey and Syria. The 2006 production trends of red lentil in those countries were gathered and communicated to exporters, growers and researchers to facilitate decision-making;
- canola oil sales to the U.S. increased by nearly 23 per cent to from 591,121 tonnes in 2005-06 to 726,494 tonnes in 2006-07, partly due to efforts by the U.S. Canola Oil Promotion Program to raise awareness of the health and functional food value of canola oil. On October 6, 2006 the Canola Council was successful in achieving U.S. Food and Drug Administration (FDA) approval for a qualified health claim for canola oil's ability to reduce the risk of coronary heart disease due to its unsaturated fat content. It is only one of five favourable qualified health claims since the FDA began authorization of these claims in 1993; and

- the Wild Blueberry Association of North America achieved the results it set out to achieve in its 2006-07 strategic plan, i.e., an increased awareness of the health benefits of wild blueberries, an increase in demand for fruit, particularly at the retail level, and increased sales and profits for Canadian blueberry producers and processors.

As the CAFI program works to gain greater international recognition for Canadian agriculture and food products, the program also contributes to the *Increased recognition of Canadian products and capabilities* Expected Result listed below.

Expected Result:	Increased domestic and foreign investment in Canada's agriculture and food sector
Status:	Met

Departmental progress on this Expected Result is shared with the same Expected Result under the Security of the Food System Strategic Outcome on page 43.

Expected Result:	Increased domestic market share of Canadian agriculture and food products
Status:	Mostly Met

In 2006-07, AAFC made progress on several fronts with activities that promoted Canadian products in the domestic market and supported agriculture and food producers in developing the domestic market. This progress has contributed towards meeting the ongoing and long-term objective of increasing domestic market share for Canadian agriculture and food products.

Departmental progress on this Expected Result is shared with the same Expected Result under the Security of the Food System Strategic Outcome on page 43.

Expected Result:	Increased recognition of Canadian products and capabilities
Status:	Met

AAFC continued to work in 2006-07 to generate greater recognition for Canada by branding its achievements in food quality, safety and environmental sustainability to maximize exports and generate greater sales for Canadian agriculture and agri-food producers and processors.

The CAFI Program assists industry associations in undertaking activities with these same objectives. In 2006-07, the program supported several international in-store marketing campaigns aimed at increasing international consumers' recognition of high quality Canadian products with the ultimate goal of increasing sales and exports.

The Canadian Association of Prawn Producers, a new CAFI recipient, conducted in-store pilot promotions in 45 hypermarkets and supermarkets across five target Chinese cities. These activities resulted in a dramatic spike of in-store sales of wild cold-water shrimp from an average daily value of 40 Yuan to an average daily value of 1150 Yuan.

The CAFI Program is also committed to increasing international recognition of Canada's capabilities as a net exporter of agriculture, agri-food, and seafood products. To this end, the CAFI Program supported numerous incoming missions of international delegations interested in learning about the superior capabilities of the Canadian industry first-hand. The Canadian Swine Exporters (CSEA) association considers incoming missions a significant building block in their quest for increasing sales and developing new markets. In August 2006 two Chilean veterinary inspectors came on an incoming mission and inspected approximately 20 farms in four provinces. As a result of the inspections several hundred breeding swine were shipped to Chile.

Sub-Activity: Branding Management and Value-Chain Roundtables

Brand Canada


AAFC has developed a branding strategy designed to help take Canada's strong international image and leverage it to increase the sales and profile of Canadian food and agriculture products.

As a result of the branding activities carried out in 2006-07, domestic industry stakeholders, staff in AAFC, Canadian embassies and provincial governments have received training in the department's branding strategy, and have been offered access to a range of Canada brand marketing materials.

While there continues to be a need for outreach activities to broaden awareness and participation in the initiative, significant progress was made. Many stakeholders have begun using the Canada brand in their marketing activities, and the brand is being displayed more prominently in trade shows and other events around the world, serving to draw attention to Canada's food and agricultural products and expertise, and to increase interest in Canadian businesses among foreign customers. Information gathered through exit surveys and informal reports indicates the brand is gaining recognition internationally.

Portfolio organizations such as CGC and CFIA have also proven to be key players in the Canada branding strategy particularly through their role in the International Branding Working Group which works closely with the AAFC Branding Management Team.

The key challenge for 2006-07 was to promote adoption of the Canada branding strategy by industry and provincial government partners, as well as federal partners in international trade consulates. To this end, AAFC:

- developed *A Guide to Building and Managing the Canada Brand for Food and Agriculture*, which served as a tool to inform all industry and government partners about the branding strategy, how they could get involved and what tools were available;
- co-ordinated outreach sessions with government and industry in all provinces; and
- launched a Web site  to provide key information and access to branding tools. More than 40 branding tools were designed and produced for a variety of purposes, including promoting Canadian food and agriculture products in foreign markets, communicating with international clients, and informing the domestic sector about the branding initiative. These items were available and in use through the latter part of 2006-07.

As a result of these activities, 89 stakeholders submitted signed Canada Brand usage agreements, indicating their interest in incorporating the branding strategy in their own marketing activities and their intent to abide by the legal requirements so as to preserve the integrity of the Canada brand and protect its users.

Value-Chain Roundtables

In 2006-07, AAFC held 14 full roundtable meetings and 50 working group meetings for the eight sector-specific value-chain roundtables to support their work in developing strategies to increase their presence in existing markets and take advantage of new opportunities for market access.

Key results achieved in 2006-07 included:

- the development of the Special Crops brand architecture, resulting in a pilot project to utilize the sector's brand proof points to market mustard to international customers;
- continued work with industry through the Seafood Value-Chain Roundtable to develop strategies for market success. Following the completion of five benchmarking reports, working groups were established for farmed mussels, lobster and Pacific sea urchins. Initiatives emerging from these working groups have led to consumer research for mussels, an industry forum for Pacific sea urchins, and a lobster summit planned for 2007-08. A working group was also established to oversee the development of a web-based educational document aimed at health professionals to communicate the health benefits of eating seafood by summarizing the current state of medical and scientific research in this area; and
- the launch of an Organic Sector Value Chain Roundtable (OVCRT), which had its inaugural meeting in December, 2006. The OVCRT established four pillars of concentration to promote growth of the sector: Regulations; Market Development; Increasing Canadian Production Capacity; and Science and Innovation.

The roundtables continued to face challenges in 2006-07, notably:

- difficulty getting some roundtables to focus more on international market success and less on domestic issues; and
- cross-cutting issues such as regulations, transportation, innovation, traceability, and health claims. Many roundtables have struck working groups to deal with these issues and in some cases roundtables are collaborating to identify common problems and identify potential solutions.

Other results and progress

Also in 2006-07, AAFC:

- operated a variety of displays (Canada Pavilion, AAFC booth) at seven major U.S. trade shows, generating more than \$12 million in sales;
- conducted two research projects in China to assess the attitudes of commercial buyers in that country with respect to Canadian agriculture and food products and suppliers. Analysis is currently being done on these reports. The results, once analyzed, will inform a marketing strategy, helping Canada's agriculture and food exporters segment the Chinese market and position Canadian products to the best advantage;
- through its European market engagement strategy, deepened Canada's integration in Europe's supply chain by positioning the Canadian sector as a partner of choice for product, investment and scientific co-operation; and increased recognition of Canadian products and capabilities among key importers and consumers in Europe through successful promotional events in high-end food retailers in Germany, Austria and Spain. These are priority markets for Canada. More than 400 new consumer products were introduced to the market and there are now 350 permanent listings at the retail level in the market. Fifty new Canadian companies export to the European Union.

International Science Co-operation Bureau

The efforts of the International Scientific Cooperation Bureau (ISCB) can be seen in a variety of events, both national and international. In 2006-07, the ISCB organized joint workshops and missions, some strictly scientific, others supporting market development or capacity building.

That commitment made it possible for the ISCB to position Canada in the international scientific arena and strengthen ties with various agriculture and agri-food stakeholders abroad.

On the national scene, the ISCB was active in Government of Canada initiatives (such as IGX), the negotiation of science and technology agreements with India and China, and the science and technology interdepartmental network. The ISCB made it possible for AAFC to establish links with other governmental agencies in 14 countries.

Considerable progress has been made with China, the European Union and Russia. For example, a home stay program for Chinese students was set up, AAFC research scientists joined two European consortia and a number of Russia-Canada projects were submitted for IGX funding. The work of the ISCB with the Egyptian markets team has been influential, especially regarding canola. The government of Egypt had enacted a new regulation to allow imports of canola oil; not long after the 2006 mission, it authorized the production of canola in Egypt.

Through its participation in gatherings all over the world, the ISCB has worked to boost the brand image of Canadian products in various markets. By sharing and disseminating AAFC knowledge and know-how, the ISCB also helps showcase Canada as a world leader in the production of wholesome, high-quality foods.

Agreements for co-operation

Agreements for cooperation make it possible to officially recognize the contributions of AAFC research scientists to already existing, informal collaborations; provide a frame of reference for setting up cooperative activities; streamline the visa application process (especially for students seeking internships); and provide access to sources of foreign funding.

Since 2004, the ISCB has taken part in negotiating and signing 30 agreements with governmental (federal and regional), intergovernmental, academic and industrial organizations. Most of the agreements have been made with universities (59 per cent) and federal government agencies (30 per cent).

The signing of an agreement initiates a legal and technical process that can sometimes be complicated, especially when the agreement links government agencies or when it falls under a treaty between Canada and the partner country. The ISCB has gained extensive experience in this area and has become an indispensable resource for helping promote Canadian excellence abroad, as well as helping AAFC research scientists obtain access to international resources.

The ISCB has agreement templates that are used as a starting point for discussions. These include the following:

- letter of understanding;
- memorandum of understanding; and
- academic exchange arrangements (university exchanges).

Every signed agreement provides for the creation of a management committee by the ISCB, and the Canadian representative is appointed by the Chief Scientist, International. Through the annual reports of the management committees, the ISCB is able to responsibly manage each agreement signed and recommend amendments or renewal.

Descriptions of ISCB-managed agreements can be found on the ISCB website, at <http://agr.gc.ca/int/isct-ecsi-index/>.

Hosting research staff

AAFC research centres have long enjoyed an international reputation of excellence and are a place of choice for internships or research activities. Furthermore, ISCB-managed agreements attract foreign research scientists and students, in varying numbers depending on the country and AAFC centre.

A study conducted by the ISCB showed that it was necessary to standardize the procedures for hosting guest research staff and foreign students in the department and its 19 research centres. To this end, the ISCB took an active part in developing and implementing a national program for hosting foreign research staff. The procedure for hosting foreign research staff has been standardized for all research centres, and it ensures that various regulations and standards are observed where they apply. The program also aims to ensure that all foreign staff is treated fairly.

Management of involvement of science-based intergovernmental organizations

Canada and AAFC contribute scientific expertise and commit funding to numerous intergovernmental organizations. This is required to help Canada meet its international commitments and advance national interests.

It is in this context that the ISCB coordinates and develops AAFC's position with regard to numerous international intergovernmental organizations. The ISCB also ensures that required funding is provided.

Commission on Genetic Resources for Food and Agriculture (FAO)

The Commission on Genetic Resources for Food and Agriculture is one of the largest scientific commissions in the Food and Agriculture Organization of the United Nations (FAO), with 168 member countries. The ISCB chaired the interdepartmental committee on genetic resources addressed by the FAO and led Canadian delegations participating in the work of the Commission. The ISCB represented Canada in meetings of the Commission's intergovernmental working groups that are paving the way for the implementation of the Commission's program.

The standard Material Transfer Agreement (MTA) of the Treaty is of the utmost importance to facilitate the transfer of genetic material to research scientists and plant breeders throughout the world. The ISCB led a multidisciplinary team of negotiators (including representatives from the agriculture sector) whose mandate was to negotiate an effective and cost-effective MTA.

The Treaty is now in place to improve the conservation of worldwide plant genetic resources, as well as to facilitate access to samples and promote the sharing of benefits from their use in an equitable manner.

Consultative Group on International Agricultural Research (CGIAR)

The Consultative Group on International Agricultural Research (CGIAR) consists of 15 international research centres with a number of common programs. The Canadian International Development Agency (CIDA) provides significant funding on behalf of the Government of Canada. The ISCB was part of the Canadian delegation (led by CIDA) at two annual CGIAR meetings.

The ISCB-CIDA collaboration with regard to the CGIAR has broadened the scope of Canada-CGIAR funding so that AAFC research scientists have become eligible. AAFC scientists can now request funding in partnership with their fellow CGIAR members.

The ISCB also participated in a review panel mandated by the CGIAR, as part of the Generation Challenge Program, to comment on the role of gene libraries in identifying and cataloguing new alleles that could be used in crop breeding throughout the world.

AAFC hosted the directors general of the CGIAR research centres and organized a special seminar with the winner of the 1970 Nobel Peace Prize, Norman Borlaug. Dr. Borlaug stressed the importance of international cooperation to foster development of the entire worldwide agriculture sector.

Asia-Pacific Economic Cooperation (APEC)

APEC is the main forum for promoting economic growth, cooperation, trade and investment in the Asia-Pacific region. Its Agricultural Technical Cooperation Working Group (ATCWG) focuses on seven scientific areas. The ISCB took part in two workshops on the conservation and utilization of genetic resources.

Assessment of benefits from technology transfer activities

The international scientific cooperation activities that AAFC leads generate technology transfers (TT), which are mainly transfers of research knowledge, to other research centres, private or public, for the purpose of industrial development or other kinds of development. The ISCB's purpose in this study was to identify benefits AAFC would gain from TTs and, if possible, find ways to measure those TT benefits.

In general, TT activities occur most often in a scientific cooperation context in which each party obtains scientific benefits, according to the terms of the research project; furthermore, TT activities produce significant benefits for Canada. First, they are a remarkable vehicle for Branding Canada and its quest for excellence, in addition to often helping meet Canada's political obligations. In the medium and long term, TT activities help develop Canadian expertise, attract talent and qualified workers, obtain access to resources not available in Canada (genetic material, expertise) and seize business opportunities.

As well, private sector involvement in TT activities, the vigilance of research scientists and managers with regard to intellectual property enforcement, and the ISCB's work in close collaboration with the Markets and Trade Team should be encouraged, as they attract business opportunities for the Canadian agriculture and agri-food sector.

Successes in leveraging AAFC science and trade capacity

The purpose of this study, completed in summer 2006, was to find and document cases in which AAFC science and trade capacity was used successfully. Three cases were documented: the creation and market introduction of a food-grade soybean for the Asian market, the maintaining of Canada's lead in the production of durum wheat that satisfies both consumer requirements and European market regulations, and the development of a commercial technology to completely harness the highly nutritious properties of flax (omega-3, lignane and fibre).

Analyzing these three cases revealed two essential factors for the scientific and commercial success of an innovation. First, there must be both well-documented and disseminated scientific research results and a

quantifiable economic benefit. Second, there must be a vision, leadership, teamwork and commitment to succeed. The vision must guide both research scientists and industry partners. Leadership and teamwork generate the will to overcome obstacles. Commitment must be in the form of monetary investment as well as time.

The international science cooperation is providing enhanced knowledge base for the competitiveness of the sector.

Canada's research sector is very small, and leveraging our capacity with other countries is providing precious new information for the benefit of producers and consumers.


Program Activity: Rural and Co-operatives Secretariats

Rural and Co-operatives Secretariats – 2006-2007

Actual Spending (Net) \$ Millions	Full Time Equivalents
20.8	96

Rural Development

Much of Canada's wealth and prosperity as a country can be traced back to rural Canada. Many of our aspirations as a nation in the future will require a strong contribution from rural Canada and its residents.

More than 20 per cent of Canadians live in rural, remote and northern communities, and the rural population actually increased slightly in the 2006 census. Over the last ten years, the federal government has placed great importance on addressing rural issues and has designated the Canadian Rural Partnership (CRP)  as the key government response mechanism for action in rural Canada.

The CRP, housed within AAFC and co-ordinated by the Rural Secretariat, is a government-wide approach to rural policy and program development and implementation. It is designed to focus on the challenges and issues facing rural areas by working together with federal government departments and agencies, other levels of government, stakeholders and rural communities.

Performance Accomplishments for 2006-07

Strong Rural Voice

There will always be challenges for rural Canadians associated with geography, population density, and globalization among others. However, there is a real effort taking place at the federal level to further strengthen the rural voice. This was achieved almost exclusively by simply working more effectively with partners. This included an on-line consultation with other departments to discuss the key factors and trends that will affect rural communities over the next 10 years.

A new working group was formed with strategically selected departments who play a large role in rural communities to discuss the long-term sustainability of resource based communities. The Rural Development Network began to spread its wings bringing together policy makers and researchers from 24 different departments to work and share information about the challenges of rural Canada.

More informed decisions by governments and rural communities through evidence-based research and analysis and improved accessibility to information

To make the best possible decisions for rural Canada, the best possible information is needed. It must be available for community planners right up to the decision making levels of the federal government. To this end, the Community Information Database was launched in October 2006. The database contains informative data based on the 1996 and 2001 census but applied in a way that helps rural movers and shakers look at their community in progressing and potential opportunities that may exist that they might not have even realized. The database, which is free to all users, receives as many as 100,000 hits per month. The Rural Secretariat and its Rural Teams have been promoting the use of this rural development tool to communities and stakeholders.

The work doesn't stop there. The models program continues to test various approaches to rural development to see what will work and what won't in different rural venues. This multi-year program continues to the end of fiscal year 2007-08, but has already shown great potential results that other government departments can adopt in the delivery of future policy and programming for rural areas.

The information must also be available to Canadians for their use. Two-and-a-half million rural households received rural information newsletters in 2006-07 through Canada Post. These newsletters highlighted success stories and also provided up to date information about the Community Information Database and the New Generation of Agriculture Policy Framework discussions. The rural web site also holds information from sessions held over the past 12 months, such as rural dialogue reports from Isle Madame, N.S., and a learning series held in Saskatchewan, Alberta and the Yukon. The new Community Decision Making Tool Kit, which documents how communities have made decisions regarding their future, was also added to www.rural.gc.ca.

Better co-ordination of government policy responses to community priorities

Every federal government department and agency has an interest in rural Canada. By working together to provide tools and services, they can help ensure rural Canadians have the opportunity to reach their potential. On the ground, the CRP provides leadership to rural teams across the country. These teams are made up of representatives from other departments, as well as like-minded provincial departments and sometimes rural stakeholders. The teams set their own agenda to assist in moving rural files forward. This coming together of people and resources translated into 90 collaborative and partnership initiatives across Canada.

Co-operatives Secretariat

The Co-operatives Secretariat advises the federal government on policies affecting co-operatives, co-ordinates the implementation of these policies and encourages the use of the co-operative model in developing the Canadian economy. It also provides a link between the co-operative sector and the many federal departments and agencies with which the sector interacts.

In 2006-07, the Co-operatives Secretariat continued its partnerships with the co-operative sector to increase awareness and promote the benefit of the co-operative model, supported co-operative development through research, policies and programs, and worked within other branches of AAFC and other federal departments to ensure co-operatives had a place in key policy initiatives.

Performance Accomplishments for 2006-07

Ensure the needs of the co-operative sector are taken into account by the federal government, especially when developing policies, programs and legislation.

The Co-operatives Secretariat collaborated with various federal departments on policy development initiatives with linkages to or implications for the co-operative sector.

The Secretariat collaborated with the Financial Guarantee Programs Division on a review of the *Farm Improvement and Marketing Cooperatives Loans Act* (FIMCLA). This included consideration of possible changes to the Act and organizing a series of stakeholder consultations to seek input on the modifications and the issues they were designed to address. The Secretariat also provided input to AAFC policy and program initiatives in support of the Biofuels Strategy, and the preparation of discussion documents for the Next Generation Agricultural Policy Framework consultations.

The Co-operatives Secretariat partnered with HRSDC to fund a study on child care co-operatives to support policy work in this area. It also undertook consultations with HRSDC and Citizenship and Immigration Canada on the potential of the co-operative model to assist immigrant integration.

The Co-operatives Secretariat maintained a good working relationship with the provinces and territories. The network of senior officers responsible for co-operatives had ongoing exchanges during the year to address common co-operative issues including the review of legislation or the recent development of co-operatives in the area of alternative energy (i.e. wind energy, ethanol). Provincial officials continued to play an essential role in the evaluation process of projects submitted under the Co-operative Development Initiative (CDI).

Foster and facilitate interaction among co-operative organizations and with the Government of Canada

In collaboration with other AAFC officials, the Co-operatives Secretariat held consultations with farmers and representatives of co-operatives on FIMCLA and agricultural co-operatives in eight locations across Canada in the summer of 2006.

The consultations provided a venue to gather views on proposed changes to FIMCLA and to explore the challenges and opportunities that exist for agricultural co-operative development in Canada at this time.

The Secretariat participated on the Board of Directors of the Canadian Social Economy Hub, an organization that coordinates a network of regional centres and partners involved in the Canadian Social Economy Research Partnerships.

The Secretariat continued to maintain effective relations with the national associations – Canadian Co-operative Association (CCA) and Conseil Canadien de la Coopération (CCC) – which jointly deliver the Advisory Services component of CDI. Their involvement has encouraged the organizations to work more closely together and share resources, tools and information in support of co-operative development.

Develop and disseminate new information, knowledge and tools that will help co-operatives and governments make informed decisions

The Co-operative Secretariat continues to publish statistical information on co-operatives, including the Top 50 Co-operatives and an annual publication on Co-ops in Canada that provides an overview of co-operatives in all sectors of the economy.

Information and links on the website were updated as new items became available. Work on a web tool to facilitate access to co-operative reports and statistics was put on hold but will take place in fiscal year 2007-08.

The Secretariat provided support for the development of 'Co-op Zone', a web based centre of documentation and resources primarily for the use of co-operative developers (www.coopzone.coop). The site contains general information, templates, tools and list of resources to support the development of new or existing co-operatives.

The Co-operatives Secretariat collaborated with the Rural Secretariat to deliver the 2006 Rural Learning Series on *Community Revitalization: Co-ops and other Social Enterprises*. A representative from the Co-operatives Secretariat participated in the events, which involved presentations in Saskatchewan,

Alberta and Yukon. The significant level of interest in the Yukon resulted in an additional seminar and workshops for Yukon communities that wanted to explore the co-operative model further.

Enhance development capacity for co-operatives through delivery of the Co-operative Development Initiative (CDI)

In 2006-2007, the Co-operative Development Initiative (CDI) supported through its Advisory Services component, more than 584 local initiatives that led to the creation of some 38 new co-operatives. In addition, 114 existing co-operatives received assistance to help them in the area of governance, co-operative training, business restructuring and diversification. Under the Innovation and Research component close to 120 project applications were submitted and 29 projects were approved, in addition to the 41 on-going projects. Projects were distributed amongst the six priorities of the program:

- adding value to agriculture;
- access to health care and home care;
- economic development in rural, remote or Northern communities;
- development of aboriginal communities;
- integration of immigrants into Canadian communities; and
- community solutions to environmental challenges.

A \$1 million, one-year addition to the CDI, called the Agricultural Co-operative Development Initiative, was announced in July 2006 and implemented through a contribution agreement with the CCA and CCC. The objective of this initiative is to support the development of farmer-led biofuel and value-added agricultural co-operatives through provision of technical assistance and building capacity to support co-op development in these areas. A total of 27 biofuel and value-added co-op projects were funded and a national conference was held which brought together new and existing co-ops to share knowledge and receive presentations by experts in these fields.

A Sharing the Learning project was initiated to look at the impact that the CDI program has had in terms of benefits to Canadian society and economy. Summaries of 60 projects have been prepared for further analysis. The project is to be completed in 2007 and the results will be used by the Secretariat for policy and program development, and will be made accessible to support co-operatives in development.

Throughout 2006-07 the Co-operatives Secretariat continued to encourage the understanding, use and development of the co-operative model through research, policy and program activities. The Secretariat was effective in working with other AAFC branches and federal departments in shared priority areas, and will continue to seek these opportunities. The development of new information tools and products will carry forward in the current year. Finally, the implementation of the Ag-CDI program is considered a key achievement for 2006-07, and both the CDI and Ag-CDI were effective in supporting the development of new co-operatives in federal priority areas.

Program Activity: Canadian Pari-Mutuel Agency (CPMA)

Canadian Pari-Mutuel Agency – 2006-2007

Actual Spending (Net) \$ Millions	Full Time Equivalents
(0.8)	61

The CPMA is a Special Operating Agency within AAFC, reporting through the Assistant Deputy Minister, Corporate Management Branch, that regulates and supervises pari-mutuel betting on horse racing at racetracks across Canada, thereby ensuring that pari-mutuel betting is conducted in a way that is fair to the public. The mandate and authority of CPMA derive from the Pari-Mutuel Betting Supervision Regulations made under Section 204 of the Criminal Code.

The CPMA has an excellent reputation and record of performance. It is recognized as a leader in maintaining a well-regulated horse-racing industry. The Canadian system enjoys a high degree of confidence from the betting public and the industry. Costs associated with the activities of the CPMA are recovered through a levy on every dollar bet on horse races in Canada. The levy is currently set at eight-tenths of a cent of every dollar bet.

The betting public was well protected in 2006-07 through the effective and efficient delivery of surveillance and enforcement operations. Agency officers ensured compliance with all betting policies and regulations.

Details of Performance

The expected results for the CPMA in 2006-07 were:

- confidence of the betting public in pari-mutuel wagering;
- detection against betting irregularities and performance-affecting drugs in horses;
- determination of the exact order of the finish of a race;
- availability of leading-edge, automated monitoring technologies to agency officers;
- self-sufficient Revolving Fund;
- improved levels of awareness and acceptance of regulations and policies; and
- strong federal, provincial and industry partnerships and increased international recognition.

Expected Result:	Confidence of the betting public in pari-mutuel wagering
Status:	Met

The CPMA has an excellent reputation and record of performance with respect to supervising the conduct of pari-mutuel betting on horse races. The Canadian system enjoys a high degree of confidence from the betting public and industry.

In 2006-07, 54 full- and part-time agency officers were assigned to supervise wagering activities at racetracks and betting theatres across the country. CPMA officers were regularly scheduled at all racetracks that were issued permits to conduct pari-mutuel betting, and oversaw wagering activity during the running of 3,010 individual race-days. All licensed betting theatres were inspected at least once in the year. More than 263,000 separate betting pools were hosted by Canadian racetracks, on 45,459 individual races. CPMA officers audited 119,171 pools (approximately 45 per cent) to ensure ongoing compliance with regulations describing pool calculation methodologies.

The CPMA traditionally targets a minimum of 25 per cent of all Canadian-hosted pari-mutuel pools for auditing of pay-out prices. However, the graduated introduction of an automated auditing system has allowed us to exceed this target.

Expected Result:	Detection against betting irregularities and performance-affecting drugs in horses
Status:	Met

In 2006-07, the CPMA provided an Equine Drug Control Program at 54 racetracks across the country. There were 52,648 urine and 1,718 blood samples collected for horses that competed in 31,689 Canadian-run races on which pari-mutuel betting was conducted. These samples were tested for the presence of controlled substances. Of the total number of 54,366 samples collected, there were 80 'positives'; a positive test rate of 0.14 per cent.

The CPMA's Betting Analysis Team, a specialized unit that audits pay-out prices, reviewed betting information in relation to the conduct of 14,772 races. A number of these races were identified for further investigation, and where appropriate, referred to provincial authorities.

Expected Result:	Determination of the exact order of the finish of a race
Status:	Met

The CPMA provided photo finish and video race patrol programs at 38 racetracks in 2006-07 (2,953 race days, 31,039 races). These programs assist provincial racing officials determine the exact orders of finish for the races.

Expected Result:	Availability of leading-edge, automated monitoring technologies to agency officers
Status:	Met

The CPMA's Internal Control System was operational at all five Canadian betting centres ('tote' hubs). This system is capable of auditing 100 per cent of all pari-mutuel betting activity hosted in Canada. The system remains on schedule for becoming the primary audit tool for CPMA officers at all Canadian racetracks by July 2007.

The CPMA continued the successful transition from traditional auditing mechanisms to utilization of the ICS, and by the end of the reporting period had completed more than 50 per cent of all auditing activity through use of the automated system. As previously noted, this provided for the CPMA to audit 45 per cent of all pay-out price; well in excess of our 25 per cent target.

Expected Result:	Self-sufficient Revolving Fund
Status:	Met

The CPMA Revolving Fund achieved self-sufficiency for fiscal year 2006-07. Despite decreasing revenues (-1.3 per cent), the CPMA managed to maintain financial self-dependence through effective expenditure controls. The CPMA also introduced more effective means for ensuring the timely collection of outstanding accounts receivable.

Expected Result:	Improved levels of awareness and acceptance of regulations and policies
Status:	Met

A comprehensive review of the regulatory framework for supervising pari-mutuel betting on horseraces, including the regulations, policies and programs of the CPMA, was introduced to industry stakeholders and agency staff in Spring 2006 through a series of regionally-scheduled information meetings in Calgary, Toronto, Montreal, and Halifax. Similar meetings with racetrack bettors were conducted through targeted sessions in Vancouver, Toronto, Montreal, and Charlottetown.

A discussion document outlining the objectives and scope of the review generated submissions from all recognized stakeholders, including racetracks, horsemen's groups, provincial regulators, bettors, and CPMA staff. Clarification meetings were conducted with provincial regulators and the industry group Racetracks of Canada in November 2006. International consultations were undertaken with a number of key foreign horse-racing jurisdictions in fall 2006 and spring 2007. Outside of review-related activities, regular meetings and consultations were held throughout the fiscal year with various industry groups. Comprehensive statistical reports were continuously maintained on the CPMA web-site, www.cpma.acpm.gc.ca.

Expected Result:	Strong federal, provincial and industry partnerships and increased international recognition
Status:	Met

Federal-provincial relationships continue to be enhanced by regular interaction throughout the review process, and by active participation, including presentations and delivery of materials and information, in international forums, including the Arizona-based Racetrack Industry Symposium in December 2006, and the Association of Racing Commissioners International annual meeting in Jackson Hole, Wyoming, in March 2007.

Supplementary Information

FINANCIAL TABLES

Table 1	Comparison of Planned to Actual Spending (including Full-time Equivalents)
Table 2	Resources by Program Activity
Table 3	Voted and Statutory Items
Table 4	Services Received Without Charge
Table 5	Sources of Respendable and Non-Respendable Revenue
Table 6	Canadian Pari-Mutuel Agency Revolving Fund (Statement of Operations, Statement of Cash Flows and Projected use of Authority)
Table 7	Resource Requirements by Team
Table 8-A	User Fees Act
Table 8-B	Policy on Service Standards for External Fees
Table 9	Details on Project Spending
Table 10	Status Report on Major Crown Projects
Table 11-A	Summary of Transfer Payments by Program Activity
Table 11-B	Details on Transfer Payment Programs (TPPs)
Table 12	Conditional Grants (Foundations)
Table 13	Horizontal Initiatives

Notes:

The figures in the following set of tables have been rounded to the nearest millions of dollars. For this reason, figures that cannot be listed in millions of dollars are shown as 0.0. Due to rounding, figures may not add to the totals shown. For the purposes of these tables, where Program Activities are reported, the Corporate Services Program Activity is not reported separately, rather it has been pro-rated to the other Program Activities.

Main Estimates figures are as reported in the 2006-2007 Main Estimates.

Planned figures are as reported in the 2006-2007 Report on Plans and Priorities (RPP).

Authorities are 2006-2007 Main Estimates plus Supplementary Estimates and Allotment transfers received during the 2006-2007 fiscal year, as well as adjustments to statutory amounts, internal adjustments and transfers.

Actual figures represent the actual expenditures incurred during the 2006-2007 fiscal year, as reported in the 2006-2007 Public Accounts. In certain cases, where Authorized amounts are unspent, they can be reprofiled for use in future years.

Table 1: Comparison of Planned to Actual Spending (including FTEs)

(\$ millions)	2004-2005	2005-2006	2006-2007			
	Actual	Actual	Main Estimates	Planned Spending	Total Authorities	Actual
Business Risk Management	2,584.7	2,568.3	1,275.9	2,694.7	2,581.6	2,442.9
Food Safety and Food Quality	57.7	57.8	123.0	122.8	89.1	67.8
Markets and International	119.3	117.1	113.9	113.6	120.1	131.1
Environment	276.9	292.3	352.9	355.9	402.3	382.2
Innovation and Renewal	303.3	335.4	346.9	587.1	696.0	549.4
Rural & Co-operatives Secretariats	15.9	26.3	22.8	23.7	22.8	20.8
National Farm Products Council	2.3	3.6	2.7	2.6	2.9	2.5
Canadian Pari-Mutuel Agency	14.0	15.0	15.2	15.2	17.2	13.2
Total Gross	3,374.1	3,415.7	2,253.4	3,915.7	3,932.1	3,609.9
Less Respendable revenue	30.6	34.1	61.7	61.7	61.7	42.1
Total Net	3,343.4	3,381.7	2,191.7	3,853.9	3,870.4	3,567.7
Less: Non-Respendable revenue	45.4	51.7	N/A	21.8	N/A	74.7
Plus: Cost of services received without charge ¹	46.5	48.1	N/A	46.2	N/A	57.9
Net cost of Department	3,344.5	3,378.1	N/A	3,878.3	N/A	3,550.9
Full-Time Equivalents (FTEs)	6,216	6,225	N/A	6,257	N/A	6,585

Notes:

(1) Cost of services received without charge includes accommodation provided by Public Works and Government Services Canada (PWGSC), the employer's share of employees' insurance premiums and expenditures paid by TBS (excluding revolving funds), Workers' Compensation coverage provided by Social Development Canada, and services provided by the Department of Justice Canada (see Table 4).

FTEs = Full-Time Equivalents – reflect only those FTE's funded through the Department's appropriated resources. In addition to the actual FTE's of 6,585, there were 78 FTE's employed by AAFC for research funded through collaborative agreements with industry partners and 29 FTE's funded from other government departments. Also, 429 FTE's were employed as students.

Main Estimates figures are as reported in the 2006-2007 Main Estimates.

Planned Spending figures are as reported in the 2006-2007 Report on Plans and Priorities (RPP). Included were resources anticipated to be brought into the Department's reference levels through Supplementary Estimates including Budget Announcements of \$1,662.3 million.

Total Authorities are 2006-2007 Main Estimates plus Supplementary Estimates and Allotment transfers received during the 2006-2007 fiscal year, as well as adjustments to statutory amounts, internal adjustments and transfers (combined total of \$1,678.7 million), as reported in the 2006-2007 Public Accounts.

Actual figures represent the actual expenditures incurred during the 2006-2007 fiscal year, as reported in the 2006-2007 Public Accounts. In certain cases, where Authorized amounts are unspent, they can be reprofiled for use in future years.

The figures in the above table have been rounded to the nearest millions of dollars. For this reason, figures that cannot be listed in millions of dollars are shown as 0.0.

Due to rounding, figures may not add to the totals shown.

Table 2: Resources by Program Activity

(\$ millions)

2006-2007

Program Activity	Budgetary				Total: Gross Budgetary Expenditures	Less: Responsible Revenue	Total: Net Budgetary Expenditures
	Operating	Capital	Grants	Contributions			
Business Risk Management							
Main Estimates	111.7	4.8	5.0	1,154.4	1,275.9	5.5	1,270.4
<i>Planned Spending</i>	214.2	9.1	531.8	1,939.6	2,694.7	5.5	2,689.2
Authorities	179.1	10.8	529.2	1,862.4	2,581.6	5.5	2,576.1
<i>Actual Spending</i>	127.5	5.3	524.3	1,785.7	2,442.9	4.4	2,438.5
Food Safety and Food Quality							
Main Estimates	48.1	2.0	–	73.0	123.0	1.5	121.5
<i>Planned Spending</i>	47.9	2.0	–	73.0	122.8	1.5	121.3
Authorities	53.1	2.7	–	33.3	89.1	1.5	87.6
<i>Actual Spending</i>	55.1	2.2	–	10.5	67.8	1.0	66.8
Markets and International							
Main Estimates	84.6	3.7	–	25.6	113.9	–	113.9
<i>Planned Spending</i>	84.3	3.7	–	25.6	113.6	–	113.6
Authorities	93.1	5.0	–	22.1	120.1	–	120.1
<i>Actual Spending</i>	104.9	4.1	–	22.1	131.1	0.0	131.1
Environment							
Main Estimates	216.9	10.0	–	126.1	352.9	24.5	328.4
<i>Planned Spending</i>	218.0	10.0	–	128.0	355.9	24.5	331.4
Authorities	244.8	13.4	–	144.2	402.3	24.5	377.8
<i>Actual Spending</i>	270.1	13.1	–	98.9	382.2	17.7	364.4
Innovation and Renewal							
Main Estimates	228.1	8.2	31.3	79.4	346.9	15.0	332.0
<i>Planned Spending</i>	252.8	16.4	198.5	119.4	587.1	15.0	572.2
Authorities	291.5	19.3	235.2	149.9	696.0	15.0	681.1
<i>Actual Spending</i>	241.4	9.4	190.2	108.4	549.4	5.1	544.3
Rural & Co-operatives Secretariats							
Main Estimates	12.9	–	–	9.9	22.8	–	22.8
<i>Planned Spending</i>	12.8	–	–	10.9	23.7	–	23.7
Authorities	13.7	–	–	9.1	22.8	–	22.8
<i>Actual Spending</i>	11.7	–	–	9.1	20.8	–	20.8

Table 2: Resources by Program Activity – continued

(\$ millions)

2006-2007

Program Activity	Budgetary				Total: Gross Budgetary Expenditures	Less: Responsible Revenue	Total: Net Budgetary Expenditures
	Operating	Capital	Grants	Contributions			
National Farm Products Council							
Main Estimates	2.5	-	0.2	-	2.7	-	2.7
Planned Spending	2.4	-	0.2	-	2.6	-	2.6
Authorities	2.3	-	0.6	-	2.9	-	2.9
Actual Spending	2.5	-	-	-	2.5	-	2.5
Canadian Pari-Mutuel Agency							
Main Estimates	15.2	-	-	-	15.2	15.2	-
Planned Spending	15.2	-	-	-	15.2	15.2	-
Authorities	17.2	-	-	-	17.2	15.2	1.9
Actual Spending	13.2	-	-	-	13.2	14.0	(0.8)
Total Main Estimates	720.0	28.6	36.5	1,468.3	2,253.4	61.7	2,191.7
Total Planned Spending	847.6	41.2	730.5	2,296.4	3,915.7	61.7	3,853.9
Total Authorities	894.9	51.2	765.0	2,221.0	3,932.1	61.7	3,870.4
Total Actual Spending	826.4	34.1	714.6	2,034.7	3,609.9	42.1	3,567.7

Notes:

Main Estimates figures are as reported in the 2006-2007 Main Estimates

Planned Spending figures are as reported in the 2006-2007 Report on Plans and Priorities (RPP). Included were resources anticipated to be brought into the Department's reference levels through Supplementary Estimates including Budget Announcements of \$1,662.3 million.

Authorities are 2006-2007 Main Estimates plus Supplementary Estimates and Allotment transfers received during the 2006-2007 fiscal year, as well as adjustments to statutory amounts, internal adjustments and transfers (combined total of \$1,678.7 million), as reported in the 2006-2007 Public Accounts.

Actual Spending figures represents the actual expenditures incurred during the 2006-2007 fiscal year, as reported in the 2006-2007 Public Accounts. In certain cases, where Authorized amounts are unspent, they can be reprofiled for use in future years.

The figures in the above table have been rounded to the nearest millions of dollars. For this reason, figures that cannot be listed in millions of dollars are shown as 0.0.

Due to rounding, figures may not add to the totals shown.

Table 3: Voted and Statutory Items

(\$ millions)		2006-2007			
Vote or Statutory Item	Truncated Vote or Statutory Wording	Main Estimates	Planned Spending	Total Authorities	Actual
1	Operating Expenditures	583.9	705.6	754.1	708.2
5	Capital Expenditures	28.6	41.2	51.2	34.1
10	Grants and Contributions	448.9	913.9	832.8	596.7
13b	To write-off the projected net drawdown authority used by the Canadian Pari-Mutual Agency Revolving Fund of up to \$1,400,000 effective March 31, 2007	-	-	0.0	-
15	Pursuant to Section 29 of the <i>Financial Administration Act</i> , to authorize the Minister of Agriculture and Agri-Food, on behalf of Her Majesty in right of Canada, in accordance with terms and conditions approved by the Minister of Finance, to guarantee payments of an amount not exceeding, at any one time, in aggregate the sum of \$1,700,000,000 payable in respect of cash advances provided by producer organizations, the Canadian Wheat Board and other lenders under the Spring Credit Advance Program.	0.0	0.0	0.0	-
15a	Pursuant to section 29 of the <i>Financial Administration Act</i> , to authorize the Minister of Agriculture and Agri-Food, on behalf of Her Majesty in right of Canada, in accordance with terms and conditions approved by the Minister of Finance, to guarantee payments of an amount not exceeding, at any one time, in aggregate the sum of \$1,500,000,000 payable in respect of cash advances provided by producer organizations, the Canadian Wheat Board and other lenders under the Spring Spring Credit Advance Program and \$1,500,000,000 payable in respect of cash advances provided by producer organizations, the Canadian Wheat Board and other lenders under the Enhanced Spring Credit Advance Program	-	-	0.0	-
20	Pursuant to Section 29 of the <i>Financial Administration Act</i> , to authorize the Minister of Agriculture and Agri-Food, on behalf of Her Majesty in right of Canada, in accordance with terms and conditions approved by the Minister of Finance, to guarantee payments of amounts not exceeding, at any time in aggregate, the sum of \$140,000,000 payable in respect of Line of Credit Agreements to be entered into by the Farm Credit Corporation for the purpose of the Renewed (2003) National Biomass Ethanol Program.	0.0	0.0	0.0	-
(S)	Grants to agencies established under the <i>Farm Products Agencies Act</i>	0.2	0.2	0.6	-
(S)	Grants in support of the Grain and oilseed payment program	-	-	(0.1)	(0.1)
(S)	Grant payments for the Golden nematode disaster program	-	-	1.0	1.0
(S)	Class grant payments for the Transitional industry support payment	-	-	(2.6)	(2.6)
(S)	Class grant payments for the Farm income payment	-	-	(2.8)	(2.8)
(S)	Canadian cattlemen's association legacy fund	5.0	5.0	4.9	4.9
(S)	Grant payments for the Canadian agricultural income stabilization program inventory transition initiative	-	481.0	431.0	431.0
(S)	Contributions in support of business risk management programs under the agricultural policy framework – Canadian agricultural income stabilization program	570.0	617.4	933.3	933.3
(S)	Contributions in support of business risk management programs under the agricultural policy framework – Production insurance	407.0	407.0	343.1	343.1
(S)	Payments in connection with the <i>Agricultural Marketing Programs Act</i>	65.5	91.5	10.6	10.6
(S)	Action Plan – Agriculture Disaster Assistance	-	110.8	-	-
(S)	Contributions in support of business risk management programs under the agricultural policy framework – Agriculture policy initiatives	4.2	4.2	1.7	1.7
(S)	Loan guarantees under the <i>Farm Improvement and Marketing Cooperatives Loans Act</i>	4.0	4.0	0.0	0.0

Table 3: Voted and Statutory Items – continued

(\$ millions)		2006-2007			
Vote or Statutory Item	Truncated Vote or Statutory Wording	Main Estimates	Planned Spending	Total Authorities	Actual
(S)	Contributions payments for the Canadian agricultural income stabilization program inventory transition initiative	–	392.0	442.0	442.0
(S)	Contributions for agricultural risk management Spring credit advance program business risk management	–	–	(1.7)	(1.7)
(S)	Class contribution payments for Repositioning of the Canadian beef and cattle industry	–	–	(0.0)	(0.0)
(S)	Class contribution payments for the Transitional industry support program	–	–	(1.6)	(1.6)
(S)	Class contribution payments for the Farm income payment	–	–	(1.3)	(1.3)
(S)	Contributions in support of business risk management programs under the agricultural policy framework Province-based programs	–	–	(1.9)	(1.9)
(S)	Contributions to the Bovine spongiform encephalopathy recovery program	–	–	(2.3)	(2.3)
(S)	Contributions to a transition to future risk management programming	–	–	(0.6)	(0.6)
(S)	Contributions to employee benefit plans	74.3	80.2	74.0	74.0
(S)	Minister of Agriculture and Agri-Food – Salary and motor car allowance	0.1	0.1	0.1	0.1
(S)	Refunds of amounts credited to revenues in previous years	–	–	0.1	0.1
(S)	Spending of proceeds from the disposal of surplus Crown assets	–	–	2.9	2.7
(S)	Collection agency fees	–	–	0.0	0.0
(S)	Canadian Pari-Mutuel Agency Revolving Fund	–	–	1.9	(0.8)
Total		2,191.7	3,853.9	3,870.4	3,567.7

Notes:

(S) denotes a Statutory Item

Main Estimates figures are as reported in the 2006-2007 Main Estimates

Planned Spending figures are as reported in the 2006-2007 Report on Plans and Priorities (RPP). Included were resources anticipated to be brought into the Department's reference levels through Supplementary Estimates including Budget Announcements of \$1,662.3 million.

Total Authorities are 2006-2007 Main Estimates plus Supplementary Estimates and Allotment transfers received during the 2006-2007 fiscal year, as well as adjustments to statutory amounts, internal adjustments and transfers (combined total of \$1,678.7 million), as reported in the 2006-2007 Public Accounts.

Actual figures represent the actual expenditures incurred during the 2006-2007 fiscal year, as reported in the 2006-2007 Public Accounts. In certain cases, where Authorized amounts are unspent, they can be reprofiled for use in future years.

The figures in the above table have been rounded to the nearest millions of dollars. For this reason, figures that cannot be listed in millions of dollars are shown as 0.0.

Due to rounding, figures may not add to the totals shown.

Table 4: Services Received Without Charge

2006-2007

(\$ millions)	
Accommodation provided by Public Works and Government Services Canada (PWGSC)	19.7
Contributions covering the employer's share of employees' insurance premiums and expenditures paid by the Treasury Board of Canada Secretariat (TBS) (excluding revolving funds)	34.9
Worker's compensation coverage provided by Human Resources and Social Development Canada (HRSDC)	1.7
Salary and associated expenditures of legal services provided by the Department of Justice Canada	1.6
Total 2006-2007 Services Received Without Charge	57.9

The figures in the above table have been rounded to the nearest millions of dollars. For this reason, figures that cannot be listed in millions of dollars are shown as 0.0.

Due to rounding, figures may not add to the totals shown.

Table 5: Sources of Responsible and Non-Responsible Revenue

Responsible Revenue

(\$ millions)	2004-2005	2005-2006	2006-2007			
	Actual	Actual	Main Estimates	Planned Spending	Total Authorities	Actual
Business Risk Management						
Collaborative research agreements and research services	-	-	-	-	-	0.0
Canadian Agricultural Income Stabilization (CAIS) – Admin. Fees	1.7	4.7	5.5	5.5	5.5	4.4
Total Business Risk Management	1.7	4.7	5.5	5.5	5.5	4.4
Food Safety and Food Quality						
Collaborative research agreements and research services	-	0.0	1.5	1.5	1.5	1.0
Total Food Safety and Food Quality	-	0.0	1.5	1.5	1.5	1.0
Markets and International						
Collaborative research agreements and research services	-	-	-	-	-	0.0
Total Markets and International	-	-	-	-	-	0.0
Environment						
Collaborative research agreements and research services			5.5	5.5	5.5	0.7
Community Pastures	14.9	12.9	19.0	19.0	19.0	17.0
Total Environment	14.9	12.9	24.5	24.5	24.5	17.7
Innovation and Renewal						
Collaborative research agreements and research services	-	2.6	15.0	15.0	15.0	5.1
Total Innovation and Renewal	-	2.6	15.0	15.0	15.0	5.1
Canadian Pari-Mutuel Agency						
Canadian Pari-Mutuel Agency – Revolving Fund	14.0	13.8	15.2	15.2	15.2	14.0
Total Canadian Pari-Mutuel Agency	14.0	13.8	15.2	15.2	15.2	14.0
Total Responsible Revenue	30.6	34.1	61.7	61.7	61.7	42.1

Non-Responsible Revenue

(\$ millions)	2004-2005	2005-2006	2006-2007			
	Actual	Actual	Main Estimates	Planned Spending	Total Authorities	Actual
Business Risk Management						
Refund of Previous Years' Expenditures	21.6	3.7	N/A	5.0	N/A	0.9
Service and Service Fees	0.9	1.0	N/A	0.1	N/A	0.9
Privileges, Licences and Permits	0.2	0.4	N/A	0.3	N/A	0.5
Return on Investments	0.7	1.4	N/A	0.5	N/A	1.5
Proceeds from Sales of Crown Assets	0.0	0.6	N/A	0.0	N/A	0.3
Other non-tax revenues	0.9	29.1	N/A	0.6	N/A	47.9
Total Business Risk Management	24.4	36.2	N/A	6.5	N/A	52.0
Food Safety and Food Quality						
Refund of Previous Years' Expenditure	0.0	0.1	N/A	0.1	N/A	0.0
Service and Service Fees	0.3	0.3	N/A	0.3	N/A	0.0
Privileges, Licences and Permits	0.3	0.3	N/A	0.3	N/A	0.3
Return on Investments	0.4	0.5	N/A	0.2	N/A	0.6
Proceeds from Sales of Crown Assets	0.2	0.2	N/A	0.1	N/A	0.1
Other non-tax revenues	0.6	0.0	N/A	0.2	N/A	0.7
Total Food Safety and Food Quality	1.8	1.3	N/A	1.2	N/A	1.7

Table 5: Sources of Respendable and Non-Respendable Revenue – continued

Non-Respendable Revenue

(\$ millions)	2004-2005	2005-2006	2006-2007			
	Actual	Actual	Main Estimates	Planned Spending	Total Authorities	Actual
Markets and International						
Refund of Previous Years' Expenditures	0.2	0.3	N/A	0.2	N/A	0.0
Service and Service Fees	0.0	0.0	N/A	0.1	N/A	0.0
Privileges, Licences and Permits	0.2	0.2	N/A	0.2	N/A	0.2
Return on Investments	0.6	0.8	N/A	0.4	N/A	1.1
Proceeds from Sales of Crown Assets	0.0	0.0	N/A	0.0	N/A	0.0
Other non-tax revenues	1.2	0.0	N/A	0.4	N/A	0.9
Total Markets and International	2.3	1.4	N/A	1.3	N/A	2.3
Environment						
Refund of Previous Years' Expenditures	–	0.3	N/A	0.3	N/A	0.2
Service and Service Fees	0.4	(0.0)	N/A	0.3	N/A	0.0
Privileges, Licences and Permits	0.5	0.5	N/A	1.0	N/A	0.9
Return on Investments	1.5	2.0	N/A	1.0	N/A	3.0
Proceeds from Sales of Crown Assets	0.6	0.6	N/A	0.5	N/A	0.5
Other non-tax revenues	2.4	0.1	N/A	1.3	N/A	2.2
Total Environment	5.5	3.4	N/A	4.5	N/A	6.9
Innovation and Renewal						
Refund of Previous Years' Expenditures	0.2	0.4	N/A	0.2	N/A	0.1
Service and Service Fees	0.0	0.0	N/A	0.2	N/A	0.0
Privileges, Licences and Permits	0.6	0.6	N/A	4.5	N/A	5.1
Return on Investments	1.6	2.3	N/A	0.9	N/A	2.6
Proceeds from Sales of Crown Assets	6.0	6.1	N/A	1.5	N/A	1.8
Other non-tax revenues	2.8	0.1	N/A	1.0	N/A	2.0
Total Innovation and Renewal	11.3	9.4	N/A	8.3	N/A	11.7
Rural and Co-operatives Secretariats						
Refund of Previous Years' Expenditures	0.0	0.0	N/A	0.0	N/A	0.0
Service and Service Fees	–	0.0	N/A	–	N/A	–
Privileges, Licences and Permits	–	–	N/A	–	N/A	–
Return on Investments	–	–	N/A	–	N/A	–
Proceeds from Sales of Crown Assets	–	–	N/A	–	N/A	–
Other non-tax revenues	0.1	0.0	N/A	0.0	N/A	0.1
Total Rural and Co-operatives Secretariats	0.1	0.0	N/A	0.0	N/A	0.1
National Farm Products Council						
Refund of Previous Years' Expenditures	–	–	N/A	–	N/A	0.0
Service and Service Fees	–	–	N/A	–	N/A	–
Privileges, Licences and Permits	–	–	N/A	–	N/A	–
Return on Investments	–	–	N/A	–	N/A	–
Proceeds from Sales of Crown Assets	–	–	N/A	–	N/A	–
Other non-tax revenues	–	–	N/A	–	N/A	–
Total National Farm Products Council	–	–	N/A	–	N/A	0.0
Total Non-Respendable Revenue	45.4	51.7	N/A	21.8	N/A	74.7

Notes:

Respendable revenues are generated by the Community Pastures Program, collaborative research agreements and research services, administration fees related to the Canadian Agricultural Income Stabilization (CAIS) program, and the Canadian Pari-Mutuel Agency Revolving Fund. In accordance with Treasury Board policy, the Department can generate and spend up to 125 percent of its vote-netted revenue authority. Respendable revenues have increased mainly due to revenue collected under the Community Pastures Program and the collaborative research agreements and research services.

Non-respendable revenues include such items as refunds of previous years' expenditures, proceeds from the sales of Crown Assets, privileges, licenses and permits. Non-respendable revenues are higher this year mainly due to refunds of previous years' expenditures.

The figures in the above tables have been rounded to the nearest millions of dollars. For this reason, figures that cannot be listed in millions of dollars are shown as 0.0.

Due to rounding, figures may not add to the totals shown.

Table 6: Canadian Pari-Mutuel Agency Revolving Fund

Statement of Operations

(\$ millions)	2004-2005	2005-2006	2006-2007			
	Actual	Actual	Main Estimates	Planned Spending	Authorized	Actual
Respendable Revenue	14.1	13.9	15.2	15.2	15.2	13.8
Expenses						
Operating:						
Salaries and employee benefits	5.0	5.9	5.0	5.0	5.0	5.6
Depreciation	0.2	0.2	0.1	0.1	0.1	0.2
Administrative and support services	8.1	8.7	9.7	9.7	9.7	8.1
Utilities, materials and supplies	0.3	0.2	0.4	0.4	0.4	0.2
Total Operating	13.6	15.0	15.2	15.2	15.2	14.0
Surplus (Deficit)	0.5	(1.1)	-	-	-	(0.3)

Statement of Cash Flows

(\$ millions)	2004-2005	2005-2006	2006-2007			
	Actual	Actual	Main Estimates	Planned Spending	Authorized	Actual
Surplus (Deficit)	0.5	(1.1)	-	-	-	(0.3)
Add non-cash items:						
Depreciation/amortisation	0.2	0.2	0.1	0.1	0.1	0.2
Other	(0.5)	(0.1)	-	-	-	0.9
Investing activities:						
Acquisition of depreciable assets	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.0)
Cash Surplus (requirement)	0.1	(1.2)	-	-	-	0.8

Projected Use of Authority

(\$ millions)	2004-2005	2005-2006	2006-2007			
	Actual	Actual	Main Estimates	Planned Spending	Authorized	Actual
Authority¹	2.0	2.0	2.0	2.0	2.0	2.0
Drawdown:						
Balance as at April 1	1.0	1.1	1.1	1.1	(0.1)	(0.1)
Projected Surplus (Drawdown)	0.1	(1.2)	-	-	-	0.8
Total Drawdown	1.1	(0.1)	1.1	1.1	(0.1)	0.7
Projected Balance at March 31	3.1	1.9	3.1	3.1	1.9	2.7

(1) \$2 million is the maximum amount that may be drawn down from the Consolidated Revenue Fund (CRF) at any time.

The figures in the above tables have been rounded to the nearest millions of dollars. For this reason, figures that cannot be listed in millions of dollars are shown as 0.0.

Due to rounding, figures may not add to the totals shown.

Table 7: Resource Requirements by Team*

(\$ millions) Net

2006-2007

Program Activity/ Team	Business Risk Management	Food Safety and Food Quality	Markets and Inter- national	Environment	Innovation and Renewal	Rural and Co-operatives Secretariats	National Farm Products Council	Canadian Pari-Mutuel Agency	Total
Business Risk Management Team									
Planned Spending	11.7	-	-	-	-	-	-	-	11.7
Actual Spending	18.9	-	-	-	-	-	-	-	18.9
Food Safety and Quality Team									
Planned Spending	-	28.2	-	-	-	-	-	-	28.2
Actual Spending	-	28.6	-	-	-	-	-	-	28.6
Environment Team									
Planned Spending	-	-	-	99.7	-	-	-	-	99.7
Actual Spending	-	-	-	132.6	-	-	-	-	132.6
Innovation and Science Team									
Planned Spending	-	-	-	-	200.3	-	-	-	200.3
Actual Spending	-	-	-	-	182.9	-	-	-	182.9
Markets and Trade Team									
Planned Spending	-	-	50.6	-	-	-	-	-	50.6
Actual Spending	0.0	-	52.7	-	-	-	-	-	52.8
Program Delivery Team¹									
Planned Spending	2,581.3	75.0	27.3	139.2	296.6	-	-	-	3,119.4
Actual Spending	2,333.5	12.8	24.0	114.4	262.4	-	-	-	2,747.0
Enabling Teams²									
Planned Spending	92.4	16.6	32.8	85.0	68.9	-	-	-	295.7
Actual Spending	82.6	23.8	48.7	105.8	89.5	-	-	-	350.3
Corporate Offices³									
Planned Spending	3.7	1.5	2.8	7.5	6.4	23.7	2.6	-	48.3
Actual Spending	5.5	2.2	4.2	11.0	9.4	20.8	2.5	-	55.5
Canadian Pari-Mutuel Agency									
Planned Spending	-	-	-	-	-	-	-	-	-
Actual Spending	-	-	-	-	-	-	-	(0.8)	(0.8)
Total Planned Spending	2,689.2	121.3	113.6	331.4	572.2	23.7	2.6	-	3,853.9
Total Actual Spending	2,438.5	66.8	131.1	364.4	544.3	20.8	2.5	(0.8)	3,567.7

Notes:

* The authorities (Planned Spending) are granted to the Department, and are notionally allocated to Teams. These authorities, which are managed at the departmental level, have not been exceeded.

- (1) **Program Delivery Team** resources are significantly higher than those of the other Teams as they include the majority of the Department's resources for Grants and Contributions.
- (2) **Enabling Teams** include Assets Management, Communications and Consultations, Finance, Human Resources, Information Systems and Policy.
- (3) **Corporate Offices** include Executive Offices, Rural and Co-operatives secretariats, National Farm Products Council, Legal Services, Audit and Evaluation, Assistant Deputy Minister Offices, Values and Ethics, Financial Management & Accountability Project, and Strategic Management.

Planned Spending figures are as reported in the 2006-2007 Report on Plans and Priorities (RPP). Included were resources anticipated to be brought into the Department's reference levels through Supplementary Estimates including Budget Announcements of \$1,662.3 million.

Actual Spending figures represent the actual expenditures incurred during the 2006-2007 fiscal year, as reported in the 2006-2007 Public Accounts by Program Activity. In certain cases, where Authorized amounts are unspent, they can be reprofiled for use in future years.

The figures in the above table have been rounded to the nearest millions of dollars. For this reason, figures that cannot be listed in millions of dollars are shown as 0.0.

Due to rounding, figures may not add to the totals shown.

Table 8-A: User Fees Act¹

		2006-2007				Planning Years					
User Fee	Fee Type	Fee-Setting Authority	Date Last Modified (B)	Forecast Revenue (\$000)	Actual Revenue (\$000)	Full Cost (\$000)	Performance Standard	Performance Results	Fiscal Year	Forecast Revenue (\$000)	Estimated Full Cost (\$000)
Farm Improvement and Marketing Cooperatives Loans Act (FIMCLA) Registration Fees	R	FIMCLA Regulations	May 31, 1999	545.0	577.0	51.0	Program loan loss percentage less than 2%	Loan losses as a percentage of registered loan is 0.62%	2007-08 2008-09 2009-10	495.0 N/A N/A	1,343.0 N/A N/A
Fees charged for the processing of access requests filed under the Access to Information Act (ATIA) ²	O	Access to Information Act	1992	1.5	2.3	840.0	Response provided within 30 days following receipt of request; the response time may be extended pursuant to section 9 of the ATIA. Notice of extension to be sent within 30 days after receipt of request.	Statutory deadlines met 95.7% of the time	2007-08 2008-09 2009-10	2.5 2.5 2.5	961.0 961.0 961.0
2006-2007				545.0	577.0	51.0					
		Sub-total (R) Regulatory Service		1.5	2.3	840.0					
		Sub-total (O) Other Products and Services		546.5	579.3	891.0					
2007-2008											
		Sub-total (R) Regulatory Service								495.0	1,343.0
		Sub-total (O) Other Products and Services								2.5	961.0
		Total								497.5	2,304.0
2008-2009											
		Sub-total (R) Regulatory Service								N/A	N/A
		Sub-total (O) Other Products and Services								2.5	961.0
		Total								2.5	961.0
2009-2010											
		Sub-total (R) Regulatory Service								N/A	N/A
		Sub-total (O) Other Products and Services								2.5	961.0
		Total								2.5	961.0

B. Date Last Modified: N/A

C. Other Information: (1) The DPR instructions advised that this table be used only for revenues under the *User Fee Act*. The preliminary advice from our legal counsel indicated that only the FIMCLA program as well as the fees charged under ATP are subject to the *User Fee Act*.

(2) It is the Department's practice to waive fees where the total owing per request amounts to less than \$25.

Notes:

According to prevailing legal opinion, where the corresponding fee introduction or most recent modification occurred prior to March 31, 2004 the:

- Performance standard, if provided, may not have received Parliamentary review;
- Performance standard, if provided, may not respect all establishment requirements under the UFA (e.g. international comparison; independent complaint address)
- Performance result, if provided, is not legally subject to UFA section 5.1 regarding fee reduction for failed performance.

Table 8-B: Policy on Service Standards for External Fees

Agriculture and Agri-Food Canada charges the following external fees on a non-contractual basis:

1. Farm Improvement and Marketing Cooperatives Loans Act (FIMCLA)
2. Access to Information Act (ATIA)
3. Canadian Agricultural Income Stabilization program (CAIS)

Supplementary information on Service Standards for External Fees can be found at: http://www.tbs-sct.gc.ca/rma/dpr3/06-07/index_e.asp

Table 9: Details on Project Spending

The following projects have or are expected to exceed the Department's delegated project approval level of \$5 million:

1. Skyline Campus
2. Enhancements to the delivery systems for the Business Risk Management Programs under the Agricultural Policy Framework
3. Duncairn Dam (Water Control Structures)
4. National Land and Water Information Service (NLWIS)
5. Junction Dam Rehabilitation
6. St. Boniface General Hospital
7. Dairy Research Facility
8. Greenhouse and Growth Chamber Facility

For further information on the above-mentioned projects see <http://www.tbs-sct.gc.ca/est-pre/estime.asp>

Table 10: Status Report on Major Crown Projects

Agriculture and Agri-Food Canada was the lead department and managed the following Major Crown project:

National Land and Water Information Service (NLWIS)

For further information on the above-mentioned Major Crown project see <http://www.tbs-sct.gc.ca/est-pre/estime.asp>

Table 11-A: Summary of Transfer Payments by Program Activity for Agriculture and Agri-Food Canada

(\$ millions)	2004-2005	2005-2006	2006-2007			
	Actual Spending	Actual Spending	Planned Spending	Total Authorities	Actual Spending	Variance between Actual and Planned
GRANTS						
Business Risk Management	829.9	693.7	531.8	529.2	524.3	7.5
Environment	0.0	–	–	–	–	–
Innovation and Renewal	28.3	34.0	198.5	235.2	190.2	8.3
National Farm Products Council	–	–	0.2	0.6	–	0.2
<i>Total Statutory Grants</i>	829.9	693.7	486.2	431.9	431.3	54.9
<i>Total Voted Grants</i>	28.3	34.0	244.3	333.1	283.3	(39.0)
TOTAL GRANTS	858.2	727.7	730.5	765.0	714.6	15.9
CONTRIBUTIONS						
Business Risk Management	1,638.9	1,760.1	1,939.6	1,862.4	1,785.7	153.8
Food Safety and Food Quality	4.5	6.1	73.0	33.3	10.5	62.4
Environment	37.5	53.1	128.0	144.2	98.9	29.0
Innovation and Renewal	49.8	68.3	119.4	149.9	108.4	11.0
Markets and International	26.7	24.2	25.6	22.1	22.1	3.6
Rural and Cooperatives	3.8	8.6	10.9	9.1	9.1	1.8
<i>Total Statutory Contributions</i>	1,572.7	1,657.1	1,626.8	1,721.3	1,721.3	(94.5)
<i>Total Voted Contributions</i>	188.4	263.2	669.6	499.7	313.4	356.1
TOTAL CONTRIBUTIONS	1,761.1	1,920.2	2,296.4	2,221.0	2,034.7	261.7
TOTAL STATUTORY GRANTS & CONTRIBUTIONS	2,402.6	2,350.8	2,113.0	2,153.2	2,152.6	(39.6)
TOTAL VOTED GRANTS & CONTRIBUTIONS	216.7	297.2	913.9	832.8	596.7	317.2
TOTAL GRANTS & CONTRIBUTIONS	2,619.3	2,647.9	3,026.9	2,986.0	2,749.3	277.6

Notes:

Planned Spending figures are as reported in the 2006-2007 Report on Plans and Priorities (RPP). Included were Transfer Payment resources anticipated to be brought into the Department's reference levels through Supplementary Estimates including Budget Announcements of \$1,522.1 million.

Total Authorities are 2006-2007 Main Estimates plus Supplementary Estimates and Allotment transfers received during the 2006-2007 fiscal year, as well as adjustments to statutory amounts, internal adjustments and transfers (combined total Transfer Payment funding of \$1,481.2 million), as reported in the 2006-2007 Public Accounts.

Actual Spending figures represent the actual expenditures incurred during the 2006-2007 fiscal year, as reported in the 2006-2007 Public Accounts. In certain cases, where Authorized amounts are unspent, they can be reprofiled for use in future years.

Variance between Actual and Planned of \$277.6 million is mainly due to funding requested for reprofiling to future years under the following programs: contributions under the Agricultural Policy Framework, the Canadian Farm Families Options Program, New Opportunities for Agriculture Initiatives and the Agricultural Bioproducts Innovation Program. As well as funding earmarked in the government fiscal plan for Agricultural Disasters that was not required in the 2006-07 fiscal year.

Table 11-B: Details on Transfer Payment Programs

Agriculture and Agri-Food Canada managed the following transfer payment programs in excess of \$5 million:

1. Canadian Agricultural Income Stabilization (CAIS)
2. Canadian Agricultural Income Stabilization Inventory Transition Initiative (CITI)
3. Production Insurance
4. Cover Crop Protection
5. BSE/Cull Cow/Specified Risk Materials
6. Spring Credit Advance Program (SCAP)/Enhanced Spring Credit Advance Program (ESCAP)
7. Payments in connection with the *Agricultural Marketing Programs Act* (AMPA)
8. Contributions for Agriculture and Agri-Food Sector Assistance – Environment
9. Contributions for Agriculture and Agri-Food Sector Assistance – Food Safety and Food Quality
10. Canadian Farm Families Options
11. Advancing Canadian Agriculture and Agri-Food (ACAAF)
12. Contributions for Agriculture and Agri-Food Sector Assistance – Science and Innovation
13. Contributions for Agriculture and Agri-Food Sector Assistance – Renewal
14. Prairie Grain Roads
15. Contributions in Support to Rural Canada and Development in the Area of Co-operatives Framework
16. Contributions for Agriculture and Agri-Food Sector Assistance – International (Canadian Agriculture and Food International)
17. Plum Pox Eradication

Further information on these transfer payment programs can be found at <http://www.tbs-sct.gc.ca/est-pre/estime.asp>.

Table 12: Conditional Grant (Foundation)

Agriculture and Agri-Food Canada managed the following transfer payment (conditional grant) program in excess of \$5 million:

Canadian Agri-Food Policy Institute (CAPI)

Further information on this Conditional Grant can be found at <http://www.tbs-sct.gc.ca/est-pre/estime.asp>.

Table 13: Horizontal Initiatives

Agriculture and Agri-Food Canada is involved in the following horizontal initiatives:

1. AAFC-Department of Foreign Affairs and International Trade (DFAIT) MOU on Agri-Food Specialists Positions Abroad
2. Bovine Spongiform Encephalopathy (BSE) Recovery Program (federal/provincial agreement)
3. Canadian Agricultural Income Stabilization program (CAIS)
4. Canadian Agricultural Skills Service (CASS)
5. Co-operatives Secretariat
6. Farm Business Services
7. MOU with Canadian Food Inspection Agency (CFIA) on Food Safety and Quality
8. MOU with Environment Canada (EC) on the National Agri-Environmental Standards Initiative (NAESI)
9. MOU with Health Canada (HC) on Food Safety and Quality and Environment
10. Production Insurance
11. Rural Development

Further information on these horizontal initiatives can be found at http://www.tbs-sct.gc.ca/rma/eppi-ibdrp/hrdb-rhbd/profil_e.asp.

Financial Statements (Unaudited)

For the year ended March 31, 2007

STATEMENT OF MANAGEMENT RESPONSIBILITY

Responsibility for the integrity and objectivity of the accompanying financial statements for the year ended March 31, 2007 and all information contained in these statements rests with departmental management. These financial statements have been prepared by management in accordance with Treasury Board accounting policies which are consistent with Canadian generally accepted accounting principles for the public sector.

Management is responsible for the integrity and objectivity of the information in these financial statements. Some of the information in the financial statements is based on management's best estimates and judgment and gives due consideration to materiality. To fulfil its accounting and reporting responsibilities, management maintains a set of accounts that provides a centralized record of the department's financial transactions. Financial information submitted to the *Public Accounts of Canada* and included in the department's *Departmental Performance Report* is consistent with these financial statements.

Management maintains a system of financial management and internal control designed to provide reasonable assurance that financial information is reliable, that assets are safeguarded and that transactions are in accordance with the *Financial Administration Act*, are executed in accordance with prescribed regulations, within Parliamentary authorities, and are properly recorded to maintain accountability of Government funds. Management also seeks to ensure the objectivity and integrity of data in its financial statements by careful selection, training and development of qualified staff, by organizational arrangements that provide appropriate divisions of responsibility, and by communication programs aimed at ensuring that regulations, policies, standards and managerial authorities are understood throughout the department.

The departmental Audit and Evaluation committee oversees and approves the planning and reporting of audits, evaluations and reviews of departmental policies, organizations, programs and practices.

The financial statements of the department have not been audited.

Yaprak Baltacıoğlu, Deputy Head

Pierre Corriveau, Acting Senior Financial Officer

Ottawa, Canada
August 08, 2007

AGRICULTURE AND AGRI-FOOD CANADA

STATEMENT OF OPERATIONS (Unaudited)

For the year ended March 31, 2007

(in thousands of dollars)

	2007	2006
Expenses (Note 4)		
Business risk management	\$ 2,840,160	\$ 2,551,565
Innovation and renewal	565,673	353,809
Environment	397,012	300,786
Markets and international	137,313	120,167
Food safety and food quality	70,622	59,805
Rural and cooperatives secretariat	20,865	27,587
Canadian Pari-Mutual Agency	14,043	15,178
National Farm Products Council	2,571	3,849
	4,048,259	3,432,746
Revenues (Note 5)		
Business risk management	86,092	114,026
Innovation and renewal	16,285	12,393
Environment	24,122	16,556
Markets and international	2,144	1,390
Food safety and food quality	2,481	1,438
Rural and cooperatives secretariat	–	266
Canadian Pari-Mutual Agency	13,753	13,936
National Farm Products Council	–	51
	144,877	160,056
Net cost of operations	\$ 3,903,382	\$ 3,272,690

The accompanying notes form an integral part of these financial statements.

AGRICULTURE AND AGRI-FOOD CANADA

STATEMENT OF FINANCIAL POSITION (Unaudited)

As at March 31, 2007

(in thousands of dollars)

	2007	2006
ASSETS		
<i>Financial assets</i>		
Cash	\$ 657	\$ 6,620
Accounts receivable (Note 6)	124,468	87,968
Loans and advances (Note 7)	580,627	654,067
Investment in a Crown corporation (Note 8)	1,208,333	1,208,333
	1,914,085	1,956,988
<i>Non-financial assets</i>		
Prepaid expenses and inventory	2,579	3,770
Tangible capital assets (Note 9)	348,069	340,802
	350,648	344,572
	\$ 2,264,733	\$ 2,301,560
LIABILITIES AND EQUITY OF CANADA		
<i>Liabilities</i>		
Accounts payable and accrued liabilities (Note 10)	\$ 2,848,583	\$ 2,403,583
Accrued salaries and vacation	52,483	45,305
Deferred revenue (Note 11)	11,912	17,266
Employee future benefits (Note 12)	96,878	92,316
Other liabilities (Note 13)	495,186	705,987
	3,505,042	3,264,457
<i>Equity of Canada (Note 17)</i>	(1,240,309)	(962,897)
	\$ 2,264,733	\$ 2,301,560

Contingencies (Note 14)

Contractual obligations (Note 15)

The accompanying notes form an integral part of these financial statements.

AGRICULTURE AND AGRI-FOOD CANADA

STATEMENT OF EQUITY OF CANADA (Unaudited)

For the year ended March 31, 2007
(in thousands of dollars)

	2007	2006
Equity of Canada, beginning of year	\$ (962,897)	\$ (2,208,197)
Net cost of operations	(3,903,382)	(3,272,690)
Current year appropriations used (Note 3)	3,567,722	3,381,692
Revenue not available for spending	(26,544)	(20,738)
Refunds of previous years expenditures	(521)	(58,279)
Change in net position in the Consolidated Revenue Fund (Note 3)	27,408	1,167,225
Services received without charge (Note 16)	57,905	48,090
Equity of Canada, end of year (Note 17)	\$ (1,240,309)	\$ (962,897)

The accompanying notes form an integral part of these financial statements.

AGRICULTURE AND AGRI-FOOD CANADA

STATEMENT OF CASH FLOW (Unaudited)

For the year ended March 31, 2007

(in thousands of dollars)

	2007	2006
Operating activities		
Net cost of operations	\$ 3,903,382	\$ 3,272,690
Non-cash items :		
Amortization of tangible capital assets	(37,509)	(36,849)
(Loss) Gain on disposal and non-cash changes in tangible capital assets	(257)	(280)
Services received without charge	(57,905)	(48,090)
Variances in Statement of Financial Position:		
Increase (decrease) in accounts receivable	36,500	44,910
Increase (decrease) in loans and advances	(73,440)	29,983
Increase (decrease) in prepaid expenses and inventory	(1,191)	1,396
Decrease (increase) in liabilities	(240,585)	1,156,196
Cash used by operating activities	3,528,995	4,419,956
Capital investment activities		
Acquisition of tangible capital assets	45,145	29,644
Proceeds from disposal of tangible capital assets	(112)	(245)
Cash used by capital investment activities	45,033	29,399
Investing activities		
Increase (decrease) in investment in a Crown corporation	–	15,000
Cash used by investing activities	–	15,000
Financing activities		
Net cash provided by Government of Canada	(3,568,065)	(4,469,900)
Net cash used	5,963	(5,545)
Cash, beginning of year	6,620	1,075
Cash, end of year	\$ 657	\$ 6,620

The accompanying notes form an integral part of these statements.

AGRICULTURE AND AGRI-FOOD CANADA

Notes to Financial Statements (Unaudited)

*For the year ended March 31, 2007
(tabular amounts in thousands of dollars)*

1. Authority and objectives

The *Department of Agriculture and Agri-Food Act* of 1994 establishes the Department of Agriculture and Agri-Food as a Department of the Government of Canada. Under the Act, the Minister is responsible for agriculture, products derived from agriculture and research related to agriculture and products derived from agriculture including the operation of experimental farm stations, unless they have been assigned by law to another department, board or agency.

The Department's objective is to promote and support, in a sustainable manner, a growing, competitive, market-oriented agriculture and agri-food industry with principle emphasis on eight program activities:

Business risk management

Enhancing the producer's capacity to manage risk, and increasing the sector's viability and profitability.

Innovation and renewal

Equipping the sector with new business and management skills, bioproducts, knowledge-based production systems and strategies to capture opportunities and manage change.

Environment

Achieving environmental sustainability of the sector and progress in the areas of soil, water, air and biodiversity.

Markets and international

Expanding international opportunities for the Canadian agri-food sector.

Food safety and food quality

Minimizing the risk and impact of food-borne hazards on human health, increasing consumer confidence and improving the sector's ability to meet or exceed market requirements for food products.

Rural and cooperatives secretariat

Leads an integrated, government-wide approach, called the Canadian Rural Partnership, through which the government aims to co-ordinate its economic, social, environmental and cultural policies towards the goal of economic and social renewal of rural Canada.

Facilitating relations between cooperatives and federal departments and agencies with legislation or policies affecting cooperatives. As well, the Secretariat provides advice across government on policies affecting cooperatives, coordinates the implementation of such policies, and acts as a centre of expertise on cooperatives within the federal government.

AGRICULTURE AND AGRI-FOOD CANADA

Notes to Financial Statements (Unaudited)

For the year ended March 31, 2007
(tabular amounts in thousands of dollars)

1. Authority and objectives (continued)

Canadian Pari-Mutuel Agency

To regulate and supervise pari-mutuel betting for the protection of the betting public on a full cost recovery basis, in the most effective and efficient manner possible.

National Farm Products Council

To advise the Minister of Agriculture and Agri-Food on all matters relating to the agencies established under the Farm Products Agencies Act, with a view to maintaining and promoting an efficient and competitive agriculture industry:

- to review the operations of the marketing agencies to ensure they meet their objectives as set out in legislation
- to work with the agencies in promoting more effective marketing of farm products in inter-provincial and export trade
- to work with promotion research agencies in connection with primary production research and promotion activities relating to farm products.

2. Summary of significant accounting policies

The financial statements have been prepared in accordance with Treasury Board accounting policies which are consistent with Canadian generally accepted accounting principles for the public sector.

Significant accounting policies are as follows:

- (a) Parliamentary appropriations – The Department is financed by the Government of Canada through Parliamentary appropriations. Appropriations provided to the department do not parallel financial reporting according to generally accepted accounting principles since appropriations are primarily based on cash flow requirements. Consequently, items recognized in the statement of operations and the statement of financial position are not necessarily the same as those provided through appropriations from Parliament. Note 3 provides a high-level reconciliation between the bases of reporting.
- (b) Consolidation – The accounting entity comprises of the department of Agriculture and Agri-Food, the National Farm Products Council, and the Canadian Pari-Mutual Agency. The accounts of these sub-entities have been consolidated with those of the department and all inter-organizational balances and transactions have been eliminated. The investment in the Farm Credit Corporation has been recorded at cost and is not consolidated. The financial statements do not include the accounts of the Canadian Food Inspection Agency, the Canadian Wheat Board, the Canadian Grain Commission, the Canadian Dairy Commission and Farm Credit Canada because they are not under the control of Agriculture and Agri-Food Canada and therefore, are not consolidated.

AGRICULTURE AND AGRI-FOOD CANADA

Notes to Financial Statements (Unaudited)

For the year ended March 31, 2007
(tabular amounts in thousands of dollars)

2. Summary of significant accounting policies (continued)

- (c) Net Cash Provided by Government – The department operates within the Consolidated Revenue Fund (CRF), which is administered by the Receiver General for Canada. All cash received by the department is deposited to the CRF and all cash disbursements made by the department are paid from the CRF. The net cash provided by Government is the difference between all cash receipts and all cash disbursements including transactions between departments of the federal government.
- (d) Change in net position in the Consolidated Revenue Fund is the difference between the net cash provided by Government and appropriations used in a year, excluding the amount of non spendable revenue recorded by the department. It results from timing differences between when a transaction affects appropriations and when it is processed through the CRF.
- (e) Revenues:
 - i) Revenues from regulatory fees are recognized in the accounts based on the services provided in the year.
 - ii) Funds received from external parties for specified purposes are recorded upon receipt as deferred revenues. These revenues are recognized in the period in which the related expenses are incurred.
 - iii) Other revenues are accounted for in the period in which the underlying transaction or event occurred that gave rise to the revenues.
 - iv) Revenues that have been received but not yet earned are recorded as deferred revenue.
 - v) Dividends are recorded as income in the period when they are received.
 - vi) Refunds prior year expenses are recorded in the period when they are received.
 - vii) Interest revenue is recognized when earned. Interest revenue ceases to be accrued when either principal or interest is not reasonably collectable.
- (f) Expenses – Expenses are recorded on the accrual basis:
 - i) Grants are recognized in the year in which the conditions for payment are met. In the case of grants which do not form part of an existing program, the expense is recognized when the Government announces a decision to make a non-recurring transfer, provided the enabling legislation or authorization for payment receives parliamentary approval prior to the completion of the financial statements.
 - ii) Contributions are recognized in the year in which the recipient has met the eligibility criteria or fulfilled the terms of a contractual agreement.
 - iii) Vacation pay and compensatory leave are expensed as the benefits accrue to employees under their respective terms of employment.
 - iv) Services received without charge from other government departments for accommodation, employer's contribution to the health and dental insurance plans, legal services, and provincial workers compensation plan contributions are recorded as operating expenses at their estimated cost. A corresponding amount is credited directly to the Equity of Canada.

AGRICULTURE AND AGRI-FOOD CANADA

Notes to Financial Statements (Unaudited)

For the year ended March 31, 2007
(tabular amounts in thousands of dollars)

2. Summary of significant accounting policies (continued)

(g) Employee future benefits

- i) Pension benefits – The department’s eligible employees participate in the Public Service Pension Plan, a multiemployer plan administered by the Government of Canada. Both the employees and the department contribute to the cost of the Plan. The department’s contributions are expensed during the year in which the services are rendered and represent the total pension obligation of the department. The department is not required under present legislation to make contributions with respect to any actuarial deficiencies of the Public Service Pension Plan.
- ii) Severance benefits – Eligible employees are entitled to severance benefits, as provided for under labor contracts and conditions of employment. The cost of these benefits is accrued as employees render the services necessary to earn them. These costs are calculated using information derived from the results of the actuarially-determined liability for employee severance benefits for the Government as a whole. Employee severance benefits on cessation of employment represent obligations of the department that are normally funded through parliamentary appropriations when the benefits are paid.
- iii) Other future benefit plans – The federal government sponsors a variety of other future benefit plans from which employees and former employees can benefit during or after employment or upon retirement. The Public Service Health Care Plan and the Pensioners’ Dental Service Plan represent the two major future benefit plans available to the department’s employees.

The department does not pay for these programs as they fall under the federal government’s financial responsibilities, but the department records its share of the annual benefits paid under these programs as a service received without charge from other government departments. No amount is recorded in the department’s financial statements with regard to the actuarial liability of these programs at year end.

- (h) Accounts Receivable – Accounts receivable are stated at amounts expected to be ultimately realized; an allowance is made for receivables where recovery is considered uncertain.
- (i) Loans and advances – Loans and advances are recorded at amounts expected to be ultimately realized; an allowance is made where recovery is considered uncertain.
- (j) Repayable contributions – Repayable contributions are contributions where the recipient is expected to repay the amount advanced. Depending on their nature, they are classified as either unconditionally repayable or conditionally repayable and are accounted for accordingly.

The department has conditionally repayable contributions. Conditionally repayable contributions are contributions that, all or part of which become repayable, if conditions specified in the contribution agreement come into effect. Accordingly, they are not recorded on the Statement of Financial Position until such time as the conditions specified in the agreement are satisfied at which time they are then recorded as a receivable and a reduction in transfer payment expenses. An estimated allowance for un-collectibility is recorded where appropriate.

AGRICULTURE AND AGRI-FOOD CANADA

Notes to Financial Statements (Unaudited)

For the year ended March 31, 2007
(tabular amounts in thousands of dollars)

2. Summary of significant accounting policies (continued)

- (k) Contingent liabilities – Contingent liabilities are potential liabilities which may become actual liabilities when one or more future events occur or fail to occur. To the extent that the future event is likely to occur or fail to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense recorded. If the likelihood is not determinable or an amount cannot be reasonably estimated, the contingency is disclosed in the notes to the financial statements.
- (l) Loan and Price Guarantees – An allowance on loans or price guarantees is recorded in the accounts when it is likely that a payment will be made to honor a guarantee and where the amount of the anticipated loss can be reasonably estimated. The amount of the allowance for losses is determined based on historical loss experience and economic conditions adversely affecting the capacity of borrowers to reimburse the loan. The allowance is reviewed on a regular basis and the variations are recorded in the statement of operations.
- (m) Environmental liabilities – Environmental liabilities reflect the estimated costs related to the management and remediation of environmentally contaminated sites. Based on management's best estimates, a liability is accrued and an expense recorded when the contamination occurs or when the department becomes aware of the contamination and is obligated, or is likely to be obligated to incur such costs. If the likelihood of the department's obligation to incur these costs is not determinable, or if an amount cannot be reasonably estimated, the costs are disclosed as contingent liabilities in the notes to the financial statements.
- (n) Tangible capital assets and leasehold improvements – Tangible capital assets and leasehold improvements having an initial cost of \$10,000 or more are recorded at historical cost or management's estimated historical cost less accumulated amortization. Amortization is provided on a straight-line basis over the estimated useful life of the asset as follows:

Asset class	Amortization period
Buildings	20 to 30 years
Works and infrastructure	15 to 40 years
Machinery and equipment	3 to 20 years
Vehicles	3 to 10 years
Assets under construction	Once in service, in accordance with asset type
Leasehold improvements	Lesser of the remaining term of the lease or useful life of the improvement

Software and leasehold improvements costs have been capitalized prospectively since April 1, 2001. Any costs incurred previously have been expensed.

AGRICULTURE AND AGRI-FOOD CANADA

Notes to Financial Statements (Unaudited)

For the year ended March 31, 2007
(tabular amounts in thousands of dollars)

2. Summary of significant accounting policies (continued)

- (o) Measurement uncertainty – The preparation of these financial statements in accordance with Treasury Board accounting policies, which are consistent with Canadian generally accepted accounting principles for the public sector, requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses reported in the financial statements. At the time of preparation of these statements, management believes the estimates and assumptions to be reasonable. The most significant items where estimates are used are: contingent liabilities, allowance for loan guarantees, environmental liabilities, the liability for employee severance benefits and the useful life of tangible capital assets. Actual results could significantly differ from those estimated. Management's estimates are reviewed periodically and, as adjustments become necessary, they are recorded in the financial statements in the year they become known.

3. Parliamentary appropriations

The Department receives most of its funding through annual Parliamentary appropriations. Items recognized in the Statement of Operations and the Statement of Financial Position in one year may be funded through Parliamentary appropriations in prior, current or future years. Accordingly, the Department has different net results of operations for the year on a government funding basis than on an accrual accounting basis. The differences are reconciled in the following tables:

(a) Reconciliation of net cost of operations to current year appropriations used

	2007	2006
Net cost of operations	\$ 3,903,382	\$ 3,272,690
Adjustments for items affecting net cost of operations but not affecting appropriations		
Add (less):		
Services received without charge	(57,905)	(48,090)
Crop Re-insurance Fund revenues	65,943	82,731
Refunds of previous years expenditures	521	58,279
Reversal of opening accrued liabilities	47,414	26,183
Revenue not available for spending	26,544	20,738
Cost of Production Benefit program accrual	(400,000)	–
Amortization of tangible capital assets	(37,509)	(36,849)
Expenses related to loan guarantees	(13,691)	(11,992)
Reversal of expenditures related to the Department of Justice	(1,900)	(1,669)
Other	(9,031)	(11,369)
	3,523,768	3,350,652
Adjustments for items not affecting net cost of operations but affecting appropriations		
Add :		
Acquisitions of tangible capital assets	45,145	29,644
Prepaid expenses and inventory purchased	(1,191)	1,396
Current year appropriations used	\$ 3,567,722	\$ 3,381,692

AGRICULTURE AND AGRI-FOOD CANADA

Notes to Financial Statements (Unaudited)

For the year ended March 31, 2007
(tabular amounts in thousands of dollars)

3. Parliamentary appropriations (continued)

(b) Appropriations provided and used

	2007	2006
Vote 1 – Operating expenditures	\$ 754,091	\$ 653,494
Vote 5 – Capital expenditures	51,211	31,194
Vote 10 – Transfer payments	832,761	377,677
Statutory amounts	2,232,296	2,433,573
Less:		
Appropriations available for future years	3,563	2,693
Lapsed appropriations	299,074	111,553
Current year appropriations used	\$ 3,567,722	\$ 3,381,692

(c) Reconciliation of net cash provided by Government to current year appropriations used

	2007	2006
Net cash provided by Government	\$ 3,568,065	\$ 4,469,900
Revenue not available for spending	26,544	20,738
Refunds of previous years expenditures	521	58,279
Change in net position in the Consolidated Revenue Fund:		
Variation in accounts receivable	(36,500)	(44,910)
Variation in loans and advances	73,440	(29,983)
Variation in an investment in a Crown corporation	–	(15,000)
Variation in accounts payable and accrued liabilities	445,000	(667,252)
Variation in deferred revenue	(5,354)	(2,486)
Variation in other liabilities	(210,801)	(490,089)
Other adjustments ¹	(293,193)	82,495
	(27,408)	(1,167,225)
Current year appropriations used	\$ 3,567,722	\$ 3,381,692

¹ Other adjustments reflect the cumulative difference between the changes in assets and liabilities which do not have an impact on either net cash provided by Government or Appropriations Used.

AGRICULTURE AND AGRI-FOOD CANADA Notes to Financial Statements (Unaudited)

For the year ended March 31, 2007
(tabular amounts in thousands of dollars)

4. Expenses

	2007	2006
Grants and contributions	\$ 3,066,992	\$ 2,544,353
Operating expenses		
Salaries and employee benefits	577,484	553,678
Professional and other services	127,216	108,665
Materials and supplies	63,366	48,073
Allowance for loan guarantees	53,210	36,158
Amortization of tangible capital assets	37,509	36,849
Travel	26,721	26,248
Electricity and other public services	18,779	18,642
Repairs and maintenance	16,065	15,529
Accommodation and other	60,917	38,980
	981,267	882,822
Other expenses		
Crop Re-insurance Fund	–	5,571
Total expenses	\$ 4,048,259	\$ 3,432,746

AGRICULTURE AND AGRI-FOOD CANADA

Notes to Financial Statements (Unaudited)

For the year ended March 31, 2007
(tabular amounts in thousands of dollars)

5. Revenues

	2007	2006
Crop Re-insurance Fund	\$ 65,943	\$ 88,302
Sale of goods and services	50,082	44,234
Joint projects and cost sharing agreements	10,771	16,908
Dividends and interest – Crown corporations	8,722	7,018
Interest	5,871	2,966
Gain on disposal of assets	2,761	419
Other	727	209
Total revenues	\$ 144,877	\$ 160,056

6. Accounts receivable

	2007	2006
Receivables from other departments and agencies	\$ 34,347	\$ 29,785
Receivables from external parties	102,621	65,442
	136,968	95,227
Less: Allowance for doubtful accounts on external receivables	(12,500)	(7,259)
Net receivables	\$ 124,468	\$ 87,968

Accounts Receivable from external parties are a result of program overpayments, payments under advance and loan guarantee programs and trade receivables.

AGRICULTURE AND AGRI-FOOD CANADA

Notes to Financial Statements (Unaudited)

For the year ended March 31, 2007
(tabular amounts in thousands of dollars)

7. Loans and advances

	2007	2006
Loans resulting from loan guarantee programs	\$ 115,887	\$ 115,976
Less: Allowance	(79,754)	(78,762)
	36,133	37,214
Advances to Crop Re-insurance Fund	498,475	526,095
Loans to Canadian Dairy Commission	45,957	90,696
Loans for construction of exhibition buildings	62	62
Net loans and advances	\$ 580,627	\$ 654,067

Loans resulting from loan guarantee programs

The department's loan receivables are the result of the exercise of loan guarantees by the initial lender under the terms of various loan guarantee programs. These loans are in default with the initial lender and due immediately to the department. Interest rates on these loans vary according to the initial terms of the loans and applicable government regulations. An allowance for doubtful accounts is recorded to reflect the loans at their net realizable value.

Crop Re-insurance Fund

The fund provides funds to participating provincial governments for costs they incur in operating various crop insurance programs. Payments are made only when indemnities exceed accumulated premium reserves due to severe crop losses. The department has advanced \$498,475,000 to the fund as at March 31st, 2007 (\$526,095,000 in 2006) and owes the equivalent amount to the department of Finance. In fiscal year 2007, the advance was reduced by 27,620,000 (27,620,000 in 2006). The advance to the fund is non-interest bearing and 10% of the principal is repayable annually when the Crop Re-insurance fund account balance exceeds \$100,000,000.

Canadian Dairy Commission

The Canadian Dairy Commission is a Crown corporation created in 1966 through the *Canadian Dairy Commission Act* to provide efficient producers of milk and cream with the opportunity to obtain a fair return for their labour and investment, and to provide consumers of dairy products with a continuous and adequate supply of dairy products of high quality.

The department provides loans to the Canadian Dairy Commission to finance its dealings in dairy products. The total amount authorized to be outstanding at any time is \$120,000,000. The loans bear interest that is specified by the department of Finance for Crown corporations and range from 3.02% to 4.57% in 2007 (2.58% to 3.91% in 2006). Individual loans are repayable within one year from the date the loan is advanced.

AGRICULTURE AND AGRI-FOOD CANADA Notes to Financial Statements (Unaudited)

For the year ended March 31, 2007
(tabular amounts in thousands of dollars)

8. Investment in a Crown corporation

	2007	2006
Farm Credit Canada	\$ 1,208,333	\$ 1,208,333
	\$ 1,208,333	\$ 1,208,333

Farm Credit Canada

Farm Credit Canada exists under the Farm Credit Canada Act, to assist Canadian farmers to establish and develop sound farm enterprises through the use of long term credit. The Government of Canada wholly owns the Corporation.

AGRICULTURE AND AGRI-FOOD CANADA

Notes to Financial Statements (Unaudited)

For the year ended March 31, 2007
(tabular amounts in thousands of dollars)

9. Tangible capital assets

	Cost			
	Opening Balance	Acquisitions and adjustments	Disposals and write-offs	Closing Balance
Land	\$ 13,017	\$ (245)	\$ –	\$ 12,772
Buildings	523,853	15,309	661	538,501
Works and infrastructure	34,200	1,944	–	36,144
Machinery and equipment	175,694	17,921	1,399	192,216
Vehicles	49,174	5,929	1,481	53,622
Assets under construction	24,942	2,813	279	27,476
Leasehold improvements	2,563	2,993	–	5,556
	\$ 823,443	\$ 46,664	\$ 3,820	\$ 866,287

	Accumulated Amortization			
	Opening Balance	Amortization	Disposals and write-offs	Closing Balance
Land	\$ –	\$ –	\$ –	\$ –
Buildings	302,750	21,192	428	323,514
Works and infrastructure	16,753	944	–	17,697
Machinery and equipment	129,926	12,271	1,310	140,887
Vehicles	31,927	3,302	1,321	33,908
Assets under construction	–	–	–	–
Leasehold improvements	1,285	927	–	2,212
	\$ 482,641	\$ 38,636	\$ 3,059	\$ 518,218

AGRICULTURE AND AGRI-FOOD CANADA

Notes to Financial Statements (Unaudited)

For the year ended March 31, 2007
(tabular amounts in thousands of dollars)

9. Tangible capital assets (continued)

	Net book value 2007	Net book value 2006
Land	\$ 12,772	\$ 13,017
Buildings	214,987	221,103
Works and infrastructure	18,447	17,447
Machinery and equipment	51,329	45,768
Vehicles	19,714	17,247
Assets under construction	27,476	24,942
Leasehold improvements	3,344	1,278
	\$ 348,069	\$ 340,802

10. Accounts payable and accrued liabilities

	2007	2006
Accounts payable and accrued liabilities external to government	\$ 2,337,899	\$ 1,867,064
Due to department of Finance for Crop Re-insurance Fund	498,475	526,095
Due to other departments and agencies	10,429	9,844
Environmental Liabilities	1,780	580
	\$ 2,848,583	\$ 2,403,583

AGRICULTURE AND AGRI-FOOD CANADA

Notes to Financial Statements (Unaudited)

For the year ended March 31, 2007
(tabular amounts in thousands of dollars)

11. Deferred Revenue

Deferred revenue represents the balance at year-end of unearned revenue stemming mainly from joint collaborative agreements and cost-sharing agreements. Revenue is recognized each year in the amount of the actual costs incurred. Details of the transactions to this account are as follows:

	2007	2006
Balance – beginning of year	\$ 17,266	\$ 19,752
Funds received	5,417	14,422
Revenue recognized	(10,771)	(16,908)
Balance – end of year	\$ 11,912	\$ 17,266

12. Employee future benefits

- (a) Pension benefits – The department’s employees participate in the Public Service Pension Plan, which is sponsored and administered by the Government of Canada. Pension benefits accrue up to a maximum period of 35 years at a rate of 2 percent per year of pensionable service, times the average of the best five consecutive years of earnings. The benefits are integrated with Canada/Québec Pension Plans benefits and they are indexed to inflation.

Both the employees and the department contribute to the cost of the Plan. The 2007 expense amounts to \$54,980,000 (\$57,048,000 in 2006), which represents approximately 2.2 times in 2007 (2.6 times in 2006) the contributions by employees.

The department’s responsibility with regard to the Plan is limited to its contributions. Actuarial surpluses or deficiencies are recognized in the financial statements of the Government of Canada, as the Plan’s sponsor.

- (b) Severance benefits – The department provides severance benefits to its employees based on eligibility, years of service and final salary. These severance benefits are not pre-funded. Benefits will be paid from future appropriations. Information about the severance benefits, measured as at March 31, is as follows:

	2007	2006
Accrued benefit obligation, beginning of year	\$ 92,316	\$ 78,049
Expense for the year	10,633	20,817
Benefits paid during the year	(6,071)	(6,550)
Accrued benefit obligation, end of year	\$ 96,878	\$ 92,316

AGRICULTURE AND AGRI-FOOD CANADA

Notes to Financial Statements (Unaudited)

For the year ended March 31, 2007
(tabular amounts in thousands of dollars)

13. Other liabilities

The department holds funds in trust from the Net Income Stabilization Account program (NISA), from the Canadian Agriculture Income Stabilization program (CAIS) as well as security deposits.

The NISA program was established by section 15 of the *Farm Income Protection Act* and the Federal/Provincial/Territorial Agreement to help producers improve long term income stability. Participants deposit funds into an account held at a participating financial institutions and receive matching contributions from the federal and provincial/territorial governments. The NISA account balance represents the federal and provincial/territorial contributions to the program. Deposits to the fund ended in 2002 when the program was replaced by the CAIS program. NISA participants must withdraw funds at a minimum annual rate of 20% of the remaining balance and over a maximum of five years beginning April 1, 2004 and ending March 31, 2009.

The CAIS program helps producers protect their farming operations against drops in income. Program payments are shared 60% federally and 40% provincially/territorially. The provincial/territorial share of the contributions and interest paid on the contributions are held in a specified purpose account until the producers draw down their funds.

NISA, CAIS and security deposit account activity during the year was as follows:

	2007	2006
Opening balance	\$ 705,987	\$ 1,196,076
Deposits	396,637	347,501
Withdrawals	(607,438)	(837,590)
Ending balance	\$ 495,186	\$ 705,987

AGRICULTURE AND AGRI-FOOD CANADA

Notes to Financial Statements (Unaudited)

For the year ended March 31, 2007
(tabular amounts in thousands of dollars)

14. Contingencies

(a) Contaminated sites

Liabilities are accrued to record the estimated costs related to the management and remediation of contaminated sites where the department is obligated or likely to be obligated to incur such costs. In 2007, the department has identified approximately 82 sites (2 sites in 2006) where such action is possible and for which a liability of \$1,779,574 (\$580,000 in 2006) has been recorded. The department has estimated additional clean-up costs of \$2,233,505 in 2007 (\$2,953,000 in 2006) that are not accrued, as these are not considered likely to be incurred at this time. The department's ongoing efforts to assess contaminated sites may result in additional environmental liabilities related to newly identified sites, or changes in the assessments or intended use of existing sites. These liabilities will be accrued by the department in the year in which they become known.

(b) Claims and litigation

Claims have been made against the department in the normal course of operations. Legal proceedings for claims totaling approximately \$19,000,000 in 2007 (\$25,000,000 in 2006) were still pending on March 31, 2007. Some of these potential liabilities may become actual liabilities when one or more future events occur or fail to occur. To the extent that the future event is likely to occur or fail to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense is recorded in the financial statements.

(c) Loan or price guarantees

	Authorized Limit	Outstanding guarantees		Allowance as at March 31	
		2007	2006	2007	2006
Loans according to the Advance Payments Program under the <i>Agricultural Marketing Programs Act</i>	\$ 5,000,000	\$ 276,386	\$ 684,673	\$ 18,947	\$ 15,784
Loans to farmers under the <i>Farm Improvement Loans Act</i> and <i>Farm Improvement and Marketing Cooperatives Loans Act</i>	3,000,000	140,785	216,537	1,408	2,165
Price guarantee agreements with marketing agencies pursuant to the Price Pooling Program under the <i>Agricultural Marketing Programs Act</i>	No limit	27,249	29,563	Nil	Nil
Loans under the Spring Credit Advance Program	1,500,000	748	2,892	Nil	Nil
Loans under the Enhanced Spring Credit Advance Program	1,500,000	604,432	Nil	7,979	Nil
	\$ 11,000,000	\$ 1,049,600	\$ 933,665	\$ 28,334	\$ 17,949

AGRICULTURE AND AGRI-FOOD CANADA

Notes to Financial Statements (Unaudited)

For the year ended March 31, 2007
(tabular amounts in thousands of dollars)

14. Contingencies (continued)

The allowance for losses is the amount recorded for estimated losses on outstanding loan guarantees. No allowance has been recorded for the Spring Credit Advance Program and the Price Pooling Program of the *Agricultural Marketing Programs Act* as no costs are likely to occur.

Under the Advance Payments Program of *Agricultural Marketing Programs Act* and Spring Credit Advance Program, the department guarantees the repayment of advances made by producer organizations to farmers in the spring and in the fall, respectively, creating a more stable business environment. In 2006, the Spring Credit Advance Program and the Advance Payment Program have been merged into a single program which is the new Advance Payment Program. The maximum cash advance of the new Advance Payment Program is \$400,000. The loans have now a repayment term of no more than 18 months.

Under the Price Pooling Program of the *Agricultural Marketing Programs Act*, the department provides a price guarantee that protects marketing agencies and producers against unanticipated declines in the market price of their products.

Under the *Farm Improvement Loans Act* and *Farm Improvement and Marketing Co-operatives Loans Act*, the department guarantees loans by financial institutions to farmers for improvement and development of farms, and the processing, distribution or marketing of farm products. This program guarantees 95 percent of the value of loans provided to farms and co-operatives by financial institutions. For individual applicants, including corporations, the maximum amount for a *Farm Improvement and Marketing Co-operatives Loans Act* loan is \$250,000. The loans are repayable in full within fifteen years.

Under the Enhanced Spring Credit Advance Program of the *Agricultural Marketing Programs Act*, the department helps producers manage the cash crunch of planting a spring crop by providing loan guarantees that facilitate access to short-term credit. The maximum principal guarantee per individual producer or farm unit cannot exceed \$100,000. The loans are repayable on or before September 30th of the crop year.

(d) Conditionally Repayable Contributions

Under the Ruminant Slaughter Loan Loss Reserve Program, conditionally repayable contributions are provided to capital providers as loans are disbursed to the slaughter house. In 2007, \$10,067,000 (\$14,853,000 in 2006) has been paid. The maximum authorized limit for this program is \$41,000,000. The funds contributed and accumulated interest are repayable within 10 years and no later than December 31, 2017, net of the amounts used to cover a portion of the loan defaults. The amounts repayable cannot be currently estimated. The contributions bear interest rates either at the cost of capital of the lender or at the Government of Canada 90-day bond rate, as per initial agreements with the lender.

AGRICULTURE AND AGRI-FOOD CANADA

Notes to Financial Statements (Unaudited)

For the year ended March 31, 2007
(tabular amounts in thousands of dollars)

14. Contingencies (continued)

(e) Contingent Recoveries

CAIS is a federal and provincial/territorial cost shared program at the rates of 60 percent and 40 percent, respectively. Four provinces (Alberta, Ontario, Quebec and PEI) deliver the program in their province. Some participants of the CAIS program in the four provinces have been overpaid and the provinces have established outstanding accounts receivable. The federal government is entitled to 60 percent of the collection when the overpayments are recovered. The department has estimated the contingent recoverable amount as \$26,500,000. Contingent recoveries are not recorded in the financial statements.

15. Contractual obligations

The nature of the Department's activities can result in some large multi-year contracts and obligations whereby the Department will be obligated to make future payments. Significant contractual obligations that can be reasonably estimated are summarized as follows:

	2008	2009	2010	2011	2012 and thereafter	Total
Transfer payments	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 4,991	\$ 44,991
	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 4,991	\$ 44,991

AGRICULTURE AND AGRI-FOOD CANADA

Notes to Financial Statements (Unaudited)

For the year ended March 31, 2007
 (tabular amounts in thousands of dollars)

16. Related party transactions

The department is related as a result of common ownership to all Government of Canada departments, agencies, and Crown corporations. The department enters into transactions with these entities in the normal course of business and on normal trade terms. Also, during the year, the department received services which were obtained without charge from other Government departments.

Services received without charge

During the year the department received without charge from other departments, accommodation, employer's contribution to the health and dental insurance plans, legal fees and provincial workers compensation plan contributions. These services without charge have been recognized in the department's Statement of Operations as follows:

	2007	2006
Employer's contribution to the health and dental insurance plans	\$ 34,925	\$ 31,727
Accommodation	19,666	13,140
Provincial workers compensation plan contributions	1,731	1,843
Legal services	1,583	1,380
	\$ 57,905	\$ 48,090

The Government has structured some of its administrative activities for efficiency and cost-effectiveness purposes so that one department performs these on behalf of all without charge. The costs of these services, which include payroll and cheque issuance services provided by Public Works and Government Services Canada, are not included as an expense in the department's Statement of Operations.

AGRICULTURE AND AGRI-FOOD CANADA

Notes to Financial Statements (Unaudited)

For the year ended March 31, 2007
(tabular amounts in thousands of dollars)

17. Equity of Canada

The Department operates two programs which under legislation require that the revenues be earmarked to offset the expenses of the program.

	2007	2006
Restricted equity		
Crop Re-insurance Fund	\$ (472,878)	\$ (406,935)
Agricultural Commodities Stabilization Accounts	647	658
	(472,231)	(406,277)
Unrestricted equity	(768,078)	(556,620)
Equity of Canada	\$ (1,240,309)	\$ (962,897)

- (a) Crop Re-insurance Fund: Under the *Farm Income Protection Act*, this program provides insurance to participating provinces for costs they incur in operating various crop insurance schemes. The fund records receipts and disbursements under the terms of reinsurance agreements. When there is insufficient revenues to meet payments, the Minister of Finance may authorize an advance of additional funds to cover these obligations (Note 7).
- (b) Agricultural Commodities Stabilization Accounts: The *Agricultural Stabilization Act*, under which the commodity accounts formerly operated, has been repealed and replaced by the *Farm Income Protection Act* effective April 1, 1991. The purpose of these accounts was to reduce income loss to producers from market risks through stabilizing prices. Premiums were shared equally by the Government of Canada, the governments of participating provinces and participating producers. Current activities are limited to collection of accounts receivable.

AGRICULTURE AND AGRI-FOOD CANADA

Notes to Financial Statements (Unaudited)

For the year ended March 31, 2007
(tabular amounts in thousands of dollars)

17. Equity of Canada (continued)

The department includes in its revenues and expenses transactions for the Crop Re-insurance Fund and for the Agricultural Commodities Stabilization Account. The *Farm Income Protection Act* and the *Agricultural Stabilization Act* requires that the net balances in these accounts be segregated from the Consolidated Revenue Fund.

	Crop Re-insurance Fund	Agricultural Commodities Stabilization Account
Opening balance, April 1, 2006	\$ (406,935)	\$ 658
Revenues	(65,943)	(11)
Expenses		—
Ending balance, March 31, 2007	\$ (472,878)	\$ 647

18. Comparative information

Comparative figures have been reclassified to conform to the current year's presentation


Horizontal Initiatives

AAFC'S HORIZONTAL INITIATIVES

The objective of reporting on horizontal initiatives is to provide Parliament, the public and government with an overall picture of public spending and results achieved by departments working together.

A horizontal initiative is an initiative in which partners, from two or more organizations, have agreed under a formal funding agreement (e.g. Memorandum to Cabinet, Treasury Board Submission, federal-provincial agreement) to work toward the achievement of shared outcomes.

Horizontal initiatives reported here are led by AAFC and have been either allocated federal funds that exceed \$100 million (counting all federal partners) for the duration of the program or allocated less than \$100 million but are still considered key for the achievement of government priorities or have a high public profile.

Following is a summary list of horizontal initiatives for 2006-07. More complete information on each initiative, including expenditures by our federal partners, is available on Treasury Board's Horizontal Results Database .

Horizontal Initiative Information for 2006-07

1. AAFC-Department of Foreign Affairs and International Trade (DFAIT) MOU on Agri-Food Specialists Positions Abroad
2. Bovine Spongiform Encephalopathy (BSE) Recovery Program (federal/provincial agreement)
3. Canadian Agricultural Income Stabilization program (CAIS)
4. Canadian Agricultural Skills Service (CASS)
5. Co-operatives Secretariat
6. Farm Business Services
7. MOU with Canadian Food Inspection Agency (CFIA) on Food Safety and Quality
8. MOU with Environment Canada (EC) on the National Agri-Environmental Standards Initiative (NAESI)
9. MOU with Health Canada (HC) on Food Safety and Quality and Environment
10. Production Insurance
11. Rural Development

Key Government-wide Themes

SUSTAINABLE DEVELOPMENT STRATEGY (SDS)

Sustainable development integrates environmental, economic, and social considerations in ways that allow today's needs to be met without compromising the ability of future generations to meet their own needs. In the context of Canadian agriculture and agri-food production, sustainable development means producing, processing, and distributing agricultural products in a manner that supports or enhances the high quality of life we enjoy in Canada, both today and into the future.

A key driver in improving AAFC's understanding and practice of sustainable development in recent years has been the APF. The APF has been integrative by nature, guiding AAFC's efforts to support the economic viability of the agriculture and agri-food sector while enhancing its environmental performance and benefits to society. The APF established principles for taking sustainable action in five priority areas – food safety and quality, business risk management, environment, science and innovation, and renewal. Integrative initiatives exist in each of the five priority areas of the APF, as well as areas such as markets and international.

Having reliable and objective information on how well agriculture and agri-food systems are performing is important in evaluating sustainability in the sector. AAFC is continuing to develop agri-environmental indicators (AEIs) to measure key environmental conditions or risks resulting from agriculture. Through programs such as the Environmental Farm Planning Program, National Farm Stewardship Program and Greencover Canada, AAFC is continuing to work with its partners to accelerate the adoption of improved land-use and management practices to further increase the environmental performance of the sector and reduce risks. The department is also continuing the development of economic-environmental modelling and agri-environmental valuation as tools for better integrating these indicators into policy development and assessing the impact of changes in agricultural policies and programs on future environmental and economic outcomes of the sector.

AAFC's third sustainable development strategy (SDS III), *Sustainable Agriculture: Our Path Forward*, which was released in February 2004, identified a number of deliverables for each of the five elements of the APF. Logic models were used to clearly link the department's strategic outcomes, departmental program activities, end outcomes, targets, immediate/intermediate outcomes, deliverables and activities. The department's achievements for each element of the APF in relation to the deliverables set out in SDS III are outlined in Appendix B of AAFC's fourth sustainable development strategy (SDS IV) *Making Progress Together*, which was tabled in December 2006.

The theme of SDS IV, covering the period from 2007 to 2009, is the enhanced integration of the three pillars of sustainable development – environmental, economic and social. This strategy highlights the ongoing implementation of the Agricultural Policy Framework towards sustainable agriculture in Canada. Much of the work will involve collaboration with other federal departments, provincial and territorial governments, and other stakeholders as the next generation of Canadian Agriculture and Agri-Food policy is developed.

SDS III and SDS IV, covering the periods from 2004-2006 and 2007-2009 respectively, can be viewed at: http://www.agr.gc.ca/sds-sdd/sds-sdd_e.phtml.

Greening AAFC's Operations

In addition to promoting sustainable economic, social and environmental development in the agriculture and agri-food sector, AAFC is determined to set a good example in its own operations by the design and implementation of programs which reduce our reliance on natural resources (our ecological footprint) and limit damage to the environment.

SDS III included a large number of commitments and although not all targets were met, significant progress was made in all areas. In areas where targets were not met, work will continue until complete, unless circumstances dictate a change in direction or approach. During the three-year period covered under SDS III (2004-2006), our environmental scan identified new issues that needed managing. This necessitated a change in focus for instance to a higher emphasis on water quality assurance and added an emphasis on management of Species at Risk issues on research properties, building on the extensive work already undertaken on community pastures in the prairies.

AAFC's fourth sustainable development strategy, Making Progress Together was tabled in Parliament in December 2006. It addresses recommendations of the Office of the Commissioner of the Environment for Strategies to include fewer, more meaningful and more measureable commitments. An internal risk assessment identified seven high priority areas: contaminated sites management, halocarbon management, species at risk, water quality management, green procurement, building energy efficiency and green fleet. Specific targets were developed for each of these areas. At the same time, we are committed to continuing work towards meeting the commitments of SDS III where this work has not already been completed.

A complete report on progress against SDS III targets, lessons learned and direction for 2007-09 can be found in SDS IV: Making Progress Together, Chapter 5 and Annex <http://www4.agr.gc.ca/AAFC-AAC/display-afficher.do?id=1174650347930&lang=e>

Audits and Evaluations

OFFICE OF THE AUDITOR GENERAL (OAG)

In 2006, the OAG tabled two reports in the House of Commons – one in May, the other in November.

The May report included one chapter which implicated Agriculture and Agri-Food Canada (AAFC) – Chapter 1, Managing Government: Financial Information. The Auditor General observed AAFC had made satisfactory progress on addressing a previous recommendation on security controls in computer information system that was related to internal financial controls.

The November report included 12 chapters, two of which refer to AAFC. Chapter 2, The Expenditure Management System (EMS) in Departments stated departments needed to build up capacity for reallocation requests from the centre of government. AAFC was

credited for establishing a baseline for tracking expenditures to source funds at the start of fiscal year 2006-07.

Chapter 3, Large Information Technology Projects, was an examination of the guidance offered by Treasury Board (TB) policies. Seven large information technology projects from across government were used to determine if selected key processes and best practices were followed. In this report, AAFC was credited for its decision to discontinue the Agconnex Project and redirect resources to smaller, low risk projects.

Both reports can be found in detail on the Auditor General's website: http://www.oag-bvg.gc.ca/domino/reports.nsf/html/06menu_e.html

OAG 2006 ANNUAL MONITORING EXERCISE

2001 – A Legacy Worth Protecting: Charting a Sustainable Course in the Great Lakes and St. Lawrence River basin

2002 – The Legacy of Federal Contaminated Sites

2003 – Managing The Safety and the Accessibility of Pesticides

2004 – Assessing the Environmental Impact of Policies, Plans, and Programs

2005 – Environmental Impact of Hog Farming – CESD

COMMISSIONER OF THE ENVIRONMENT AND SUSTAINABLE DEVELOPMENT (CESD)

In September 2006, the CESD tabled a report in the House of Commons. The report included five chapters, three of which implicated AAFC. Chapter 2, Adapting to the Impacts of Climate Change, found AAFC had not yet developed its own strategy to adapt to climate change.

Chapter 4 examined Sustainable Development Strategies. In this chapter, AAFC received an unsatisfactory rating regarding a commitment made in 2001. In Chapter 5, Environmental petitions, AAFC is mentioned as having responded to three petitions.

The CESD report can be found on the Auditor General's website: http://www.oag-bvg.gc.ca/dominio/reports.nsf/html/c2006menu_e.html

INTERNAL AUDIT AND EVALUATIONS

Audit/Evaluation	URL
Audit of Transitional Industry Support Program (TISP) Payments Component 2	http://www.agr.gc.ca/info/audit-exam/index_e.php?page=tisp_pati
Audit of Non-Executive Staffing without Competition	http://www.agr.gc.ca/info/audit-exam/index_e.php?page=non_ex
Audit of Management Practices – Extra Duty Pay	http://www.agr.gc.ca/info/audit-exam/index_e.php?page=ex_dut
Review of IST Acquisition Card Practices	http://www.agr.gc.ca/info/audit-exam/index_e.php?page=ist_esi
Audit of Management of Fed/Provincial Agreements for the delivery of BSE ¹	Initiated in FY 2006-2007 and will be completed in FY 2007-2008.
Audit of Management and Environmental Programs (EFP/NFSP/Greencover) ¹	The name has been changed to Management Control Framework – Environmental Programs and was initiated in FY 2006-2007 and will be completed in FY 2007-2008.
Evaluation of Prairie Grain Roads ¹	http://www.agr.gc.ca/info/audit-exam/index_e.php?page=pgrp_ptgtp
Evaluation of Production Insurance ¹	Initiated in FY 2006-2007 and will be completed in FY 2007-2008.
Evaluation of AAFC Response to BSE ¹	Initiated in FY 2006-2007 and will be completed in FY 2007-2008.
1 Identified in the 2006-2007 Report on Plans and Priorities to be completed in FY 2006-2007.	

Parliamentary Committee Reports

REPORT OF THE STANDING COMMITTEE ON AGRICULTURE AND AGRI-FOOD (APRIL 2006-MARCH 2007)

On December 5, 2006, the Standing Committee on Agriculture and Agri-food tabled their 5th report entitled *Report on the Review of the Canada Grain Act and the Canadian Grain Commission Conducted by COMPAS Inc.* This report was prepared following a series of meetings with Canadian agricultural stakeholders that were held in the fall of 2006.

This report was prepared after the Minister of Agriculture asked the Standing Committee on Agriculture and Agri-Food “to study the review and its 102 recommendations.” It offered an overview of the strong and general support for CGC reform focusing on the CGC

mandate, governance, inspection activities, the government funding, liability of the CGC, kernel visual distinguishability (KVD), and research and development. The full report is available at: <http://cmte.parl.gc.ca/cmte/CommitteePublication.aspx?COM=10464&Lang=1&SourceId=185696>.

The Government of Canada studied the recommendations carefully and the Minister tabled a response to the report in April 2007. The response is available at: http://www.agr.gc.ca/index_e.php?s1=info&s2=consult&s3=cgc-ccg&page=summ-res-07

REPORTS OF THE STANDING SENATE COMMITTEE ON AGRICULTURE AND FORESTRY

Agriculture and Agri-Food Policy in Canada: Putting Farmers First

In June 2006, the Standing Senate Committee on Agriculture and Forestry tabled an interim report titled *Agriculture and Agri-Food Policy in Canada: Putting Farmers First*. This report was prepared following a series of meetings with Canadian agricultural stakeholders that were held in the spring of 2006.

The report offered a brief overview of the ever-growing farm income crisis and decreasing commodity prices, and also highlighted some of the government’s commitments to agriculture that were contained in Budget 2006.

The report contained two recommendations to the Government, stressing that there is a viable future in farming in Canada if appropriate programs and policies are implemented. The full report of the committee can be found here: <http://www.parl.gc.ca/39/1/parlbus/commbus/senate/com-e/agri-e/rep-e/repintjun06-e.htm>.

The Minister of Agriculture and Agri-Food responded to the Committee’s report by letter in September 2006. In his response, the minister provided an update on government actions since his appearance before the Committee (June 12, 2006), with details following the 2006 annual federal-provincial-territorial ministers meeting. He noted that the Government of Canada is

committed to working with provincial and territorial counterparts and the agriculture and agri-food sector to ensure business risk management programming provides producers with tools they require to effectively manage their operations.

Recognizing that the Agricultural Policy Framework will be coming to an end in 2008, the minister highlighted efforts made by the department to lay the groundwork for an extensive consultation process to be held with all involved stakeholders as the next generation of policy is being developed.

***Understanding Freefall:
The Challenge of the Rural Poor***

In December 2006, the Committee tabled an interim report titled *Understanding Freefall: The Challenge of the Rural Poor*. This interim report represented the culmination of the Committee's meetings held in the fall of 2006 under its order of reference to examine and report on rural poverty in Canada.

The Committee heard from a number of government officials, academics, and community groups, and as such its examination of policy options to assist the rural poor was wide-ranging, extending beyond strictly agricultural issues to the broader rural economy and services available to rural residents. The report discussed potential directions for rural economic development and income policies, as well as issues such as access to education, transportation, tourism, and immigration.

No recommendations to the Government were made in the interim report, and no response from the Minister of Agriculture and Agri-Food was issued. The Committee has continued to meet in Ottawa with rural stakeholders and has also traveled extensively across Canada to consult directly with stakeholders. A final report on rural poverty in Canada is scheduled to be tabled in December 2007.

The full interim report on rural poverty is available at the following website: <http://www.parl.gc.ca/39/1/parlbus/commbus/senate/com-e/agri-e/rep-e/repintdec06-e.pdf>.

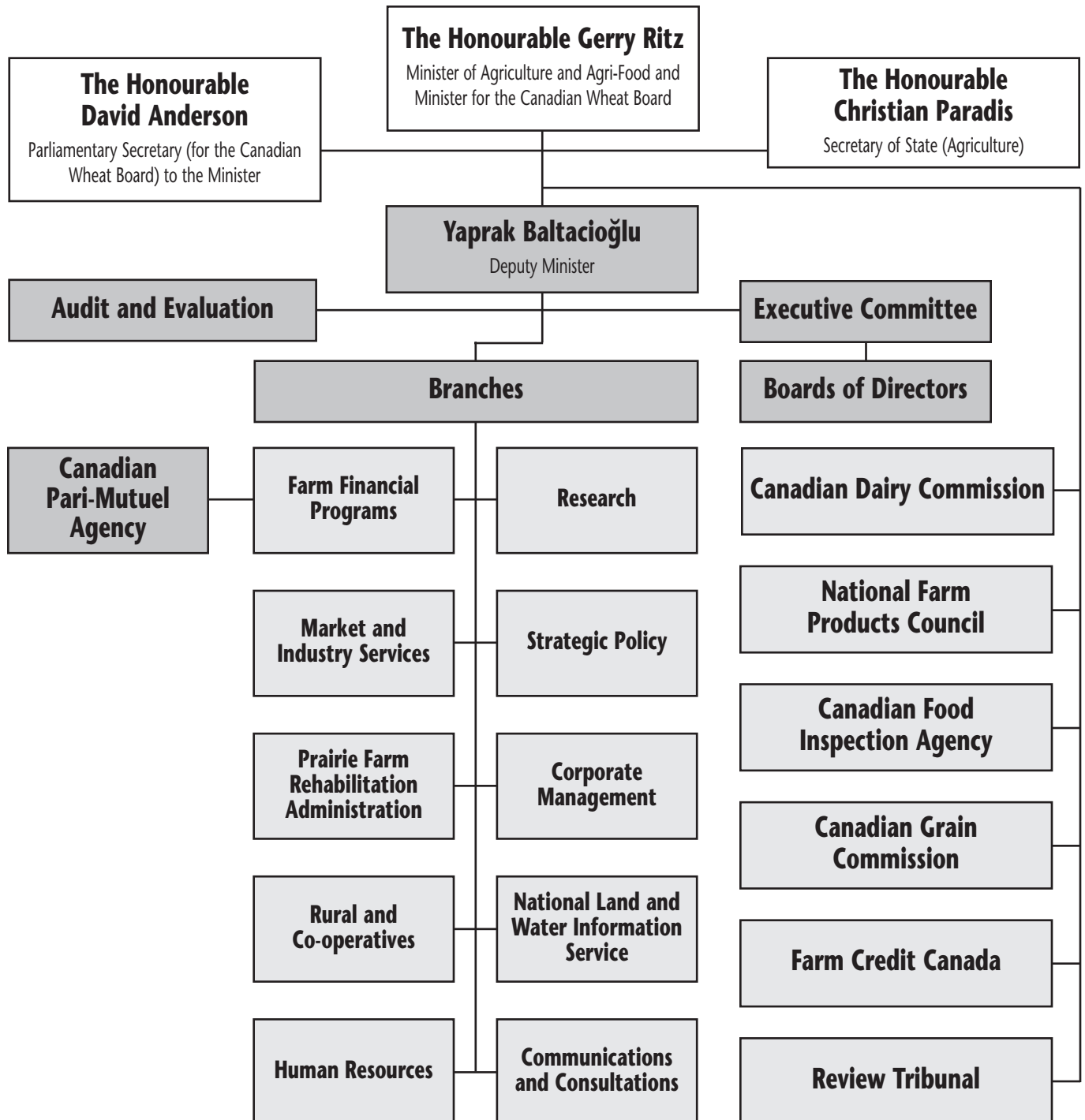
STATUTORY ANNUAL REPORTS

The information included in Sections 2 and 3 of this DPR meets the Statutory Annual Reporting requirements for the department for 2006-07.



Other Items of Interest

AGRICULTURE AND AGRI-FOOD PORTFOLIO



HOW TO REACH US

Agriculture and Agri-Food Canada Departmental Contacts

Note: All addresses are at 930 Carling Avenue unless otherwise noted.

General Enquiries
930 Carling Ave.
Ottawa, Ontario K1A 0C5
Tel: 613-759-1000

www.agr.gc.ca

More information on the Department
and its activities can be found at:

www.agr.gc.ca/index_e.phtml

Minister of Agriculture and Agri-Food and Minister for the Canadian Wheat Board

The Honourable Gerry Ritz

http://www.agr.gc.ca/cb/min/index_e.php

Parliamentary Secretary (for the Canadian Wheat Board) to the Minister

The Honourable David Anderson
613-992-0657
andersondl@agr.gc.ca

[http://www.agr.gc.ca/cb/min/
index_e.php?s1=sec_cwb-sec_ccb](http://www.agr.gc.ca/cb/min/index_e.php?s1=sec_cwb-sec_ccb)

Secretary of State (Agriculture)

The Honourable Christian Paradis
613-759-1107
paradisc@agr.gc.ca

http://www.agr.gc.ca/cb/min/index_e.php?s1=sec

Deputy Minister

Yaprak Baltacıoğlu
613-759-1101
baltaciogluy@agr.gc.ca

Branch and Agency Heads

Research

Dr. Marc Fortin
Assistant Deputy Minister
613-759-7777
fortinm@agr.gc.ca

Farm Financial Programs

Nada Semaan
Assistant Deputy Minister
613-759-7243
semaann@agr.gc.ca

Human Resources

Steve Tierney
Assistant Deputy Minister
613-759-1196
tierneys@agr.gc.ca

Prairie Farm Rehabilitation Administration

Harley Olsen
A/Director General
FCC Tower
603-1800 Hamilton Street
Regina, Saskatchewan S4P 4L2
306-780-5081
olsenh@agr.gc.ca

Market and Industry Services

George Shaw
A/Assistant Deputy Minister
613-759-7684
shawge@agr.gc.ca

Corporate Management

Pierre Corriveau
Assistant Deputy Minister
613-759-6936
corriveau@agr.gc.ca

Audit and Evaluation

Lynden Hillier
Director General
613-759-6508
hilliel@agr.gc.ca

Rural and Co-operatives Secretariat

Donna Mitchell
Executive Director
613-759-7113
mitchelldo@agr.gc.ca

Strategic Policy

Andrew Marsland
Assistant Deputy Minister
613-759-7561
marslanda@agr.gc.ca

Communications and Consultations

Greg Meredith
Assistant Deputy Minister
613-759-7985
meredithg@agr.gc.ca

Canadian Pari-Mutuel Agency

Tim Pettipas
Executive Director
P.O. Box 5904 LCD Merivale
Ottawa, Ontario K2E 8A9
613-949-0742
pettipast@agr.gc.ca

Portfolio Contacts

National Farm Products Council

Claude Janelle
Executive Director
344 Slater Street
10th Floor
Ottawa, Ontario K1R 7Y3
613-995-0682
janellecl@agr.gc.ca
nfp-cnpa.gc.ca

Canadian Grain Commission

Chris Hamblin
Chief Commissioner
600-303 Main Street
Winnipeg, Manitoba R3C 3G8
204-983-2735
chamblin@grainscanada.gc.ca
www.cgc.ca

Canadian Food Inspection Agency

Carole Swan
President
59 Camelot Drive
Ottawa, Ontario K1A 0Y9
613-221-3737
swanc@inspection.gc.ca
www.cfia-acia.agr.gc.ca

Canadian Dairy Commission

John Core
Chairman & Chief Executive
Officer
Building 55, CEF
960 Carling Avenue
Ottawa, Ontario K1A 0Z2
613-792-2060
jcore@agr.gc.ca
www.cdc.ca

Farm Credit Canada

John J. Ryan
President and Chief Executive
Officer
P.O. Box 4320
1800 Hamilton Street
Regina, Saskatchewan S4P 4L3
306-780-8100
jryan@sk.sympatico.ca
www.fcc-sca.ca

Review Tribunal

Thomas S. Barton
Chairman
Building 60, CEF
930 Carling Avenue
Ottawa, Ontario K1A 0C6
613-792-2085
bartont@agr.gc.ca
www.rt-cr.gc.ca/

LEGISLATION ADMINISTERED BY THE MINISTER OF AGRICULTURE AND AGRI-FOOD

Acts for which Minister is named in Statute as responsible Minister and that are administered by the Department of Agriculture and Agri-Food

Agricultural Marketing Programs Act	S.C. 1997, c. 20
Agricultural Products Marketing Act	R.S. 1985, c. A-6
Animal Pedigree Act	R.S. 1985, c. 8 (4th Supp.)
Department of Agriculture and Agri-Food Act	R.S. 1985, c. A-9
Experimental Farm Stations Act	R.S. 1985, c. E-16
Farm Debt Mediation Act	S.C. 1997, c. 21
Farm Improvement and Marketing Co-operatives Loans Act	R.S. 1985, c. 25 (3rd Supp.)
Farm Improvement Loans Act	R.S. 1985, c. F-3
Farm Income Protection Act	S.C. 1991, c. 22
Livestock Feed Assistance Act	R.S. 1985, c. L-10
Western Grain Transition Payments Act	S.C. 1995, c. 17

Acts for which Minister is named in an Order in Council as responsible Minister and that are administered by Department of Agriculture and Agri-Food Canada

Prairie Farm Rehabilitation Act	R.S. 1985, c. P-17
---------------------------------	--------------------

Acts for which Minister is named in statute as responsible Minister and that are administered by other entities in the Agriculture and Agri-Food Portfolio

Agriculture and Agri-Food Administrative Monetary Penalties Act (CFIA)	S.C. 1995, c. 40
Canada Agricultural Products Act (CFIA)	R.S. 1985, c. 20 (4th Supp.)
Canadian Dairy Commission Act (CDC)	R.S. 1985, c. C-15
Canadian Food Inspection Agency Act (CFIA)	S.C. 1997, c. 6
Farm Credit Canada Act (FCC)	S.C. 1993, c. 14
Farm Products Agencies Act (NFPC)	R.S. 1985, c. F-4
Feeds Act (CFIA)	R.S. 1985, c. F-9
Fertilizers Act (CFIA)	R.S. 1985, c. F-10
Fish Inspection Act (CFIA)	R.S. 1985, c. F-12
Health of Animals Act (CFIA)	S.C. 1990, c. 21
Meat Inspection Act (CFIA)	R.S. 1985, c. 25 (1st Supp.)
Plant Breeders' Rights Act (CFIA)	S.C. 1990, c. 20
Plant Protection Act (CFIA)	S.C. 1990, c. 22
Seeds Act (CFIA)	R.S. 1985, c. S-8

Act for which Minister is named in an Order in Council as responsible Minister and that are administered by other entities in the Agriculture and Agri-Food Portfolio

Canada Grain Act (CGC)	R.S. 1985, c. G-10
------------------------	--------------------

Act for which other ministers are responsible but that confer powers on the Minister

Criminal Code (Section 204) (Minister of Justice)	R.S. 1985, c. C-46
---	--------------------

Act for which a minister is named in an Order in Council as responsible and that are administered partially by the Department of Agriculture and Agri-Food

Canadian Wheat Board Act	R.S. 1985, c. C-24
--------------------------	--------------------

Acts for which another minister is responsible and that are administered partially by other agencies in the Agriculture and Agri-Food Portfolio

Consumer Packaging and Labelling Act (Minister of Industry/CFIA)	R.S. 1985, c. C-38
Food and Drugs Act (Minister of Health/CFIA)	R.S. 1985, c. F-27

APPENDIX A – LIST OF WEB SITES

Agriculture and Agri-Food Canada	http://www.agr.gc.ca/
Advance Payment Programs (APP)	http://www.agr.gc.ca/nmp/app/index.html
Advancing Canadian Agriculture and Food Program (ACAAF)	http://www.agr.gc.ca/acaaf/index_e.html
Agricultural Bioproducts Innovation Program	http://www.agr.gc.ca/sci/abip-piba/index_e.php
<i>Agricultural Marketing Programs Act</i> (AMPA)	http://laws.justice.gc.ca/en/A-3.7/index.html
Agricultural Policy Framework (APF)	http://www.agr.gc.ca/cb/apf/index_e.php
Agri-Opportunities Program	http://www.agr.gc.ca/index_e.php?s1=prog&s2=aop&page=intro
Biofuels Opportunities for Producers Initiative	http://www.agr.gc.ca/acaaf/bopi-imbp/index_e.php
Business Risk Management (BRM)	http://www.agr.gc.ca/cb/apf/index_e.php?section=brm_gre&page=brm_gre
Canadian Agricultural Income Stabilization (CAIS)	http://www.agr.gc.ca/caisprogram/
Canadian Agricultural Skills Service (CASS)	http://www.agr.gc.ca/ren/index_e.cfm?s1=cass-scdca&page=intro
Canadian Agriculture and Food International (CAFI) program	http://www.agr.gc.ca/int/cafi-picaa/index_e.php?page=intro
Canadian Dairy Commission (CDC)	http://www.cdc-ccl.gc.ca/
Canadian Farm Business Advisory Services (CFBAS)	http://www.agr.gc.ca/ren/index_e.cfm?s1=cfbas-sceac&page=intro
Canadian Farm Families Options Program (Options)	http://www4.agr.gc.ca/AAFC-AAC/display-afficher.do?id=1176921918054&lang=en
Canadian Food Inspection Agency (CFIA)	http://www.inspection.gc.ca/
Canadian Food Safety and Quality Program (CFSQP)	http://www.agr.gc.ca/fd_al/cfsqp-pcsqa/index_e.php
Canadian Grain Commission (CGC)	http://www.grainscanada.gc.ca/
Canadian Pari-Mutuel Agency (CPMA)	http://www.cpma-acpm.gc.ca/csb/cpma-acpm/index_e.php
Canadian Rural Partnership (CRP)	http://www.rural.gc.ca/
Canadian Wheat Board	http://www.cwb.ca/public/en/
Co-operative Development Initiative	http://www.agr.gc.ca/rcs-src/coop/index_e.php?s1=init&page=intro
Co-operatives Secretariat	http://www.agr.gc.ca/rcs-src/coop/
Cover Crop Protection Program	http://www.agr.gc.ca/index_e.php?s1=pfra-arap&s2=ccpp-pcc
Enhanced Spring Credit Advance Program (ESCAP)	http://www.agr.gc.ca/nmp/escap/index_e.html
Environment	http://www.agr.gc.ca/cb/apf/index_e.php?section=env&page=env
Environmental Farm Plans (EFP)	http://www.agr.gc.ca/env/efp-pfa/index_e.php
Farm Business Assessment	http://www.agr.gc.ca/ren/cfbas/form_e.cfm
Farm Credit Canada (FCC)	http://www.fcc-fac.ca/
Farm Debt Mediation Service (FDMS)	http://www.agr.gc.ca/index_e.php?s1=prod&s2=fdms-smmea&page=intro
<i>Farm Improvement and Marketing Cooperatives Loan Act</i> (FIMCLA)	http://www.agr.gc.ca/misb/nmp/fimcla/
Food Safety and Quality	http://www.agr.gc.ca/cb/apf/index_e.php?section=fd_al&page=fd_al
Grains and Oilseeds Payment Program (GOPP)	http://www.agr.gc.ca/gopp/main.html
Greencover Canada	http://www.agr.gc.ca/env/greencover-verdir/index_e.phtml
Innovation	http://www.agr.gc.ca/cb/apf/index_e.php?section=sci&page=sci
International	http://www.agr.gc.ca/cb/apf/index_e.php?section=int&page=int
Management Accountability Framework (MAF)	http://www.tbs-sct.gc.ca/maf-crg/documents/booklet-livret/booklet-livret_e.asp
Management, Resources and Results Structure	http://www.tbs-sct.gc.ca/pubs_pol/dcgpubs/mrrsp-psgr/siglist_e.asp
National Agri-Environmental Health Analysis and Reporting Program (NAHARP)	http://www.agr.gc.ca/env/naharp-pnarsa/
National Farm Products Council (NFPC)	http://nfpc-cnpa.gc.ca/

National Farm Stewardship Program	http://www.agr.gc.ca/env/efp-pfa/index_e.php?page=nfsp-pnga
National Land and Water Information Service (NLWIS)	http://www.agr.gc.ca/nlwis-snite/index_e.cfm
National Water Supply Expansion Program (NWSEP)	http://www.agr.gc.ca/env/index_e.php?section=h2o&page=h2o
Next Generation of Agriculture and Agri-Food Policy	http://www.agr.gc.ca/pol/consult/index_e.php
Pesticide Risk Reduction	http://www.agr.gc.ca/env/pest/index_e.php?s1=red&page=intro
Pest Management Regulatory Agency (PMRA)	http://www.pmra-arla.gc.ca
Planning Assessment for Value-Added Enterprise (PAVE)	http://www.agr.gc.ca/ren/index_e.cfm?s1=cfbas-sceac&s2=pave-pepva&page=intro
Prairie Farm Rehabilitation Program (PFRA)	http://www.agr.gc.ca/pfra/
Price Pooling Program	http://www.agr.gc.ca/nmp/ppp/index.html
Private Sector Risk Management Partnerships (PSRMP)	http://www.agr.gc.ca/brm_gre/psp/index_e.cfm
Production Insurance	http://www4.agr.gc.ca/AAFC-AAC/display-afficher.do?id=1182447435808&lang=e
Renewal	http://www.agr.gc.ca/ren/index_e.cfm?page=intro
Report on Plans and Priorities 2006-2007	http://www.tbs-sct.gc.ca/rpp/0607/AAFC-AAC/AAFC-AAC_e.asp
Ruminant Slaughter Loan Loss Reserve Program	http://www.agr.gc.ca/ren/ruminant/prog_e.php
Rural Secretariat	http://www.agr.gc.ca/policy/rural/
Specialized Business Planning Services	http://www.agr.gc.ca/ren/cfbas/spec_e.cfm
Spring Credit Advance Program (SCAP)	http://www.agr.gc.ca/nmp/scap/index.html
Sustainable Agriculture: Making Progress Together	http://www.agr.gc.ca/policy/environment/pdfs/sds/sds4_e.pdf
Sustainable Development Strategy: Making Progress Together	http://www4.agr.gc.ca/AAFC-AAC/display-afficher.do?id=1175526032952&lang=e
The Rural Lens	http://www.rural.gc.ca/lens_e.phtml
Watershed Evaluation of BMPs (WEBs)	http://www.agr.gc.ca/env/greencover-verdir/webs_e.phtml