



Canadian Grain Commission
Commission canadienne
des grains

Canadian Grain Commission

March 31, 2009

Departmental Performance Report

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

Canada

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Minister's Message

I am pleased to submit to Parliament and Canadians the Canadian Grain Commission's (CGC) *Departmental Performance Report* (DPR) for the fiscal year 2008-2009. This report details how the CGC used its resources from April 1, 2008 to March 31, 2009 to regulate grain handling and establish and maintain grain standards, while protecting the interests of producers and ensuring a dependable commodity for domestic and export markets.



Canadian farmers, regardless of their sector or the region they hail from, are the very backbone of this country. As Minister, I am proud and indeed honoured to belong to a government which appreciates not only the significance of agriculture in the makeup of our nation, but also the need to put Farmers First in all of our agricultural policies.

As our country comes to grips with the global economic downturn, Canada needs an innovative and profitable agriculture sector perhaps more than ever before. So not only do Canadian farmers continue to produce safe and healthy foods for our families to enjoy, they are also playing a lead role in the country's economy and future.

This is where the partner organizations of the Agriculture and Agri-Food (AAF) Portfolio come in. These organizations – Agriculture and Agri-Food Canada, the Canadian Food Inspection Agency, Farm Credit Canada, the Canadian Grain Commission, the Canadian Dairy Commission, the National Farm Products Council and the Canada Agricultural Review Tribunal – have different jobs to do in supporting me as Minister. What they have in common is a sense of commitment to make our sector the best it can be.

On February 23, 2009, I introduced to Parliament Bill C-13, An Act to amend the *Canada Grain Act*. The Bill includes reforms that are based on recommendations from the 2006 reports by COMPAS Inc. and the Standing Committee on Agriculture and Agri-Food and reflect the government's commitment to reducing regulation and mandatory costs to the grain sector, including producers. Key components of the bill include clarifying the Canadian Grain Commission's mandate, eliminating inward inspection and inward weighing, and eliminating security as a requirement for licensing. Bill C-13 is currently at the second reading stage of the legislative process.

As a government, we are striving to address the agriculture sector's short-term challenges, while improving its long-term prospects for growth and success. I know I can depend on the AAF Portfolio partners to do their part to achieve a stronger and more dynamic sector to the advantage of all Canadians.

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

Chief Commissioner's Message

Welcome to the Canadian Grain Commission's (CGC) 2008-2009 *Departmental Performance Report* (DPR). The CGC is the federal agency responsible for setting standards of quality and regulating Canada's grain handling system. Our vision is to be a leader in delivering excellence and innovation in grain quality and quantity assurance, research, and producer protection.

Canada has an excellent record for supplying domestic and world markets with safe, high quality grain. The CGC's role in providing assurance of grain quality, quantity, and safety is integral in helping Canada maintain this reputation. As a result, the CGC plays a key role in achieving a "Canada Brand" for grains. The CGC continues to work alongside the Minister of Agriculture and Agri-Food's (AAF) portfolio partners and the grain industry to maintain market competitiveness and add value to Canadian producers and Canada's grain quality assurance system (GQAS).

The 2008-2009 fiscal year has presented the CGC with several challenges including: adapting to changes to Canada's visual grading system and increased consumer concerns about grain quality and grain safety assurances. The CGC continued to deliver its mandate while facing these challenges. Some of the CGC highlights during the past fiscal year include:

- The removal of the kernel visual distinguishability (KVD) criterion for all western Canadian wheat classes effective August 1, 2008 and the subsequent introduction of a declaration system for western Canadian wheat.
- The introduction of Bill C-13, An Act to amend the *Canada Grain Act* on February 23, 2009. In December 2007, the Government introduced this amendment in the form of Bill C-39 however, Bill C-39 died on the order paper in September, 2008. While Bill C-13 is being considered by Parliament, the CGC will continue to operate under the existing provisions of the current Act and Regulations.
- An extensive risk assessment of the licensing security program, triggered because of the increased transaction risk to producers stemming from high and volatile grain prices.
- Significant efforts to develop and implement the CGC's people planning priorities to ensure the CGC has the human resource capacity to meet program activity requirements and strategic outcome expected results now and in the future.
- Responding to increased demands for grain safety assurances from domestic and international customers.
- Increased efforts towards communicating CGC activities, promoting CGC awareness, and consulting with producers and other stakeholders.

Once again, I am pleased to report that the CGC received a positive audit of its annual financial position. A copy of the audited financial statements is available on the CGC's website at:
<http://www.grainscanada.gc.ca/cgc-ccg/cr-rm/finance/2009/fs09-ef09-eng.htm>

I invite you to read this report to learn more about the CGC's challenges and accomplishments and how the organization carried out its mandate during the 2008-2009 reporting period.

Elwin Hermanson
Chief Commissioner
Canadian Grain Commission

SECTION I – DEPARTMENTAL OVERVIEW

1.1 Raison d'être and Responsibilities

Mandate

The CGC is a federal government agency and administers the provisions of the *Canada Grain Act*. The CGC's mandate as set out in this Act is to, "in the interests of the grain producers, establish and maintain standards of quality for Canadian grain and regulate grain handling in Canada, to ensure a dependable commodity for domestic and export markets."

Vision

The CGC vision is to be "A leader in delivering excellence and innovation in grain quality and quantity assurance, research, and producer protection."

Department Description

Canada is known around the world for the quality, consistency, reliability and safety of its grain¹ and grain products. The CGC's role in providing assurances of grain quality, safety and quantity helps Canada maintain this reputation and is a key factor in permitting Canadian exporters to market successfully in competitive international grain markets. The CGC's sole strategic outcome is: Canada's grain is safe, reliable and marketable and Canadian grain producers are protected. Information on the CGC's quality assurance, quantity assurance, grain quality research and producer protection program activities that facilitate delivery of the mandate and the strategic outcome is provided in Section II.

Responsibilities

Canada's grain quality assurance system (GQAS) administered by the CGC assures consistent and reliable grain quality and grain safety that meets the needs of international and domestic markets. An effective GQAS is a key factor in permitting Canadian exporters to market successfully in competitive international grain markets and is essential for producers in order to realize maximum value from their grain. The CGC's grain quantity assurance program assures the weight of grain loaded into or discharged from conveyances. In addition, the quantity assurance program assures the weight of grain in store at licensed terminal and transfer elevators.

The CGC conducts research in support of the GQAS to address emerging issues and permit the effective marketing of Canadian grain in the interests of producers and the Canadian grain industry. In addition, the CGC is mandated to serve producer interests by upholding the *Canada Grain Act* and as such has implemented a number of programs and safeguards to ensure the fair treatment of Canadian grain producers.

The CGC reports to Parliament through the Honourable Gerry Ritz, **Minister of Agriculture and Agri-Food**. The CGC's head office is located in Winnipeg, Manitoba. As of March 31, 2009, the CGC employed 640 full-time equivalents (FTEs) and operated 16 offices across Canada. Funding for CGC programs and activities is through a combination of revolving fund and appropriation sources.

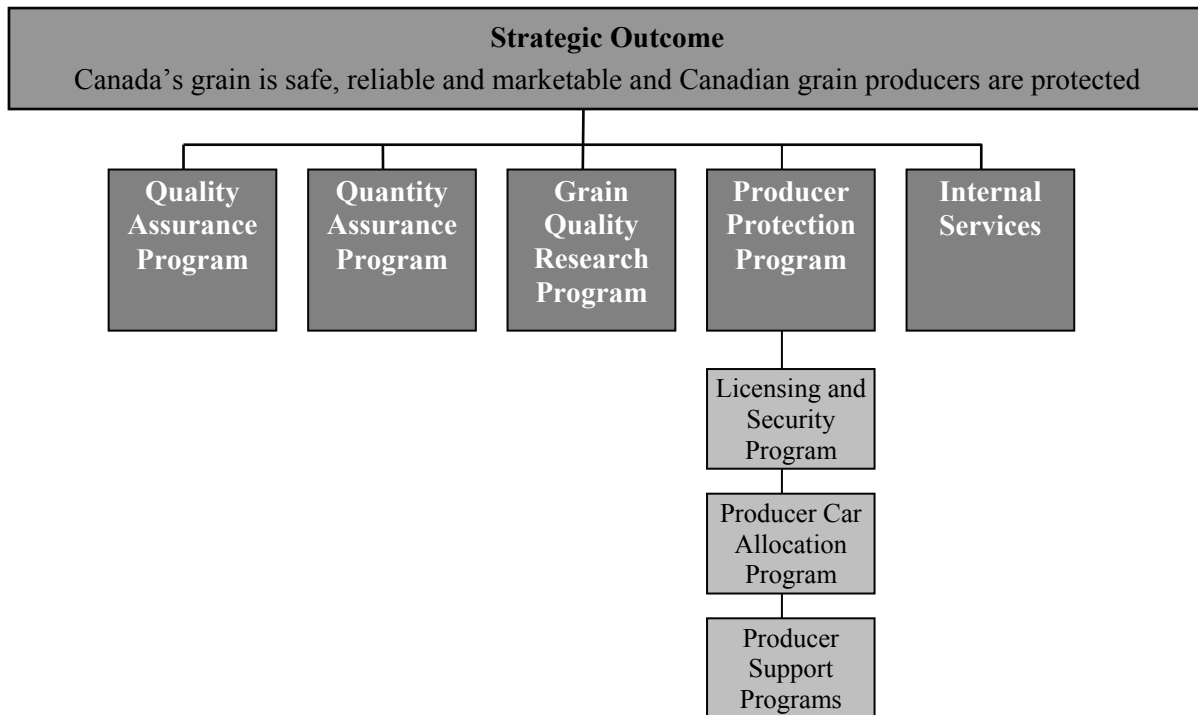
¹ Grain refers to any seed designated by regulation as a grain for the purposes of the *Canada Grain Act*. This includes barley, beans, buckwheat, canola, chick peas, corn, fababeans, flaxseed, lentils, mixed grain, mustard seed, oats, peas, rapeseed, rye, safflower seed, solin, soybeans, sunflower seed, triticale and wheat.

Strategic Outcome

In order to effectively pursue its mandate, the CGC aims to achieve the following strategic outcome: **Canada's grain is safe, reliable and marketable and Canadian grain producers are protected.** CGC operations directly support Canada's efforts to brand Canadian agriculture as a leader in food safety and quality, science and innovation, and business risk management. The provision of CGC programs and activities results in equitable grain transactions and consistent and reliable Canadian grain shipments. This is particularly important considering Canada exported approximately \$14.81 billion in cereals, grains and oilseeds during 2008. In our role as a neutral third party regulator and arbiter, the CGC works in partnership with virtually every participant in the grain industry.

Program Activity Architecture

The following chart illustrates the CGC's Program Activity Architecture (PAA). The PAA is the basic structure for the management and allocation of resources to various programs and activities to achieve intended results. The CGC's PAA has five program activities. Each program activity contributes to the success of the CGC's strategic outcome. The producer protection program consists of three program sub-activities.



1.2 Summary of Performance

2008-09 Financial Resources (\$ thousands)

| Planned Spending | Total Authorities | Actual Spending |
|------------------|-------------------|-----------------|
| \$87,178 | \$89,178 | \$73,664 |

2008-09 Human Resources (FTEs)

| Planned | Actual | Difference |
|---------|--------|------------|
| 664 | 640 | 24 |

Financial resource amounts reflect total spending for the CGC, including total Appropriation and Revolving Fund spendable revenue. Spendable revenue consists of funds generated through fees and contracts for services rendered by the CGC. This revenue accounts for approximately 50 percent of total spending and is used to offset a portion of the costs of providing these services. Total spendable revenue for 2008-09 was approximately \$37.8 million.

The difference between planned spending and total authorities is \$2 million which reflects allocations from Treasury Board for severance pay and collective agreements. In addition to Main and Supplementary Estimates, the CGC was authorized to use \$14.2 million of operating surplus. This amount is included in planned spending and total authorities.

The difference between planned spending, total authorities, and actual spending is due to the CGC's revolving fund surplus as well as 24 fewer FTEs than planned. The revolving fund surplus is a result of actual grain volumes that were higher than volumes originally forecast when appropriation amounts were approved. This is an expected variation. The difference between actual and planned FTEs is due to staff departures and delays in the hiring process.

Further information on CGC funding is available in the Expenditure Profile Section.

Performance Summary Table

| Strategic Outcome: Canada's grain is safe, reliable and marketable and Canadian grain producers are protected | | | | | | |
|---|----------------------------------|--|--|---|---|---|
| Performance Indicators | | Targets | | 2008-09 Performance | | |
| Number of instances where buyers are dissatisfied with CGC standards, methods or procedures used to ensure a dependable commodity for domestic and export markets | | Zero instances | | Successfully met the target: The CGC responded to all known instances where buyers were dissatisfied with CGC standards, methods or procedures. The Western and Eastern Standards Committees met several times throughout the year to ensure the concerns and issues of the grain sector at large are reflected in the continuous evolution of the Canadian grading system. http://www.grainscanada.gc.ca/gsccommittee-comiteng/gscm-mcng-eng.htm | | |
| Level of producer satisfaction with CGC producer protection services | | Zero unresolved or unaddressed complaints | | Successfully met the target: The CGC responded to all producer inquiries and complaints during 2008-09. | | |
| Program Activity ¹ | 2007-08 Actual Spending (\$ 000) | 2008-09 Main Estimates ⁴ (\$ 000) | 2008-09 Planned Spending ⁵ (\$ 000) | 2008-09 Total Authorities ⁵ (\$ 000) | 2008-09 Actual Spending ⁵ (\$ 000) | Alignment to Government of Canada Outcomes ² |
| 1. Quality Assurance Program | 46,257 | 29,006 ⁴ | 53,306 | 54,686 | 44,165 ⁵ | An innovative and knowledge-based economy ³ |
| 2. Quantity Assurance Program | 13,830 | 11,635 ⁴ | 17,659 | 18,040 | 13,260 ⁵ | An innovative and knowledge-based economy ³ |
| 3. Grain Quality Research Program | 10,511 | 4,542 ⁴ | 11,350 | 11,801 | 11,484 | An innovative and knowledge-based economy ³ |
| 4. Producer Protection Program | 3,940 | 1,235 ⁴ | 4,863 | 4,651 | 4,755 | A fair and secure marketplace ³ |
| Total | 74,538 | 46,478⁴ | 87,178 | 89,178 | 73,664⁵ | |

¹ Program activity descriptions are available on the Treasury Board Secretariat Main Estimates website at: <http://www.tbs-sct.gc.ca/est-pre/20092010/p2-eng.asp>

² Further information on the Whole of Government Framework and the Government of Canada Outcomes is available at: http://www.tbs-sct.gc.ca/pubs_pol/dcgpubs/mrrsp-psgrr/wgf-cp-eng.asp

³ Further information on the CGC's link to the Government of Canada Outcome areas is available at: <http://www.grainscanada.gc.ca/cgc-ccg/cr-rm/goco-roqoc-eng.htm>

⁴ The 2008-09 main estimates values appear low because they do not include appropriations of \$14.2 million (Operating Surplus) and \$26.5 million ("Sunsetter" funding). These amounts were not approved at the time of the CGC's Annual Reference Level Update (ARLU) report. Planned spending and total authorities for 2008-09 includes these amounts.

⁵ The difference between planned spending, total authorities, and actual spending is due to the CGC's revolving fund surplus as well as 24 fewer FTEs than planned. The revolving fund surplus is a result of actual grain volumes that were higher than volumes originally forecast when appropriation amounts were approved. The difference between actual and planned FTEs is due to staff departures and delays in the hiring process.

Contribution of Priorities to the CGC's Strategic Outcome

The CGC identified several priorities in its *2008-09 Report on Plans and Priorities* that were the focus of CGC attention and resources during the reporting period. The following table summarizes the status and the progress made towards each of the priorities. Each priority contributes to the CGC's sole strategic outcome.

| Operational Priorities | Type ¹ | Status | Linkage to the Strategic Outcome |
|---|-----------------------|---|---|
| <p>Ongoing delivery of the CGC mandate under the <i>Canada Grain Act</i> in a climate of constantly changing international and domestic markets, technological advancements and evolving end-user needs and preferences</p> | <p>Ongoing</p> | <p>Successfully met expectations</p> <ul style="list-style-type: none"> The CGC continued to provide consistent daily delivery of programs and services in support of the CGC's mandate. This included inspection, weighing, testing, monitoring and grain sanitation programs to ensure Canadian grain exports are uniform and consistent with regard to intrinsic quality and grain safety assurance, research and development on grain quality and grain safety to support and enhance the GQAS, and producer protection programs to ensure fair grain transactions. | <p>This priority contributes directly to the achievement of the CGC's strategic outcome and all of the CGC's program activities.</p> <p>Future opportunities/efforts</p> <ul style="list-style-type: none"> Continue to monitor and refine people planning initiatives to ensure the right people are in place to deliver CGC programs and services in support of the CGC's mandate. Increase communication efforts related to CGC activities, promoting CGC awareness, and consulting with producers and other stakeholders. <p>Further information on the programs and services that contribute to this priority is available at: http://grainscanada.gc.ca/</p> |
| <p>Positioning the GQAS to remain relevant and to support the continued competitiveness of Canadian grains in both domestic and international markets</p> <p>The CGC continued efforts to develop and implement programs, initiatives, and new research methods and processes aimed at maintaining and strengthening the Canadian GQAS. This priority is necessary to ensure that Canada's reputation for consistent grain quality and grain safety is maintained.</p> | <p>Ongoing</p> | <p>Mostly met expectations</p> <p>Removal of KVD requirements for all classes of wheat effective August 1, 2008.</p> <ul style="list-style-type: none"> The CGC is a member of the 'Industry Committee on the Removal of KVD'. This Committee developed and continues to refine the key elements needed in a post-KVD environment. The CGC undertook a significant public awareness campaign to communicate new industry requirements and variety de-registration issues. http://www.grainscanada.gc.ca/wheat-ble/ds-sd/dsm-msd-eng.htm <p>Process Verification</p> <ul style="list-style-type: none"> Continued to develop two new voluntary HACCP-based (Hazard Analysis Critical Control Points) grain safety assurance systems in partnership with the grain industry and provincial governments of Manitoba and Ontario. In the final stages of receiving pre-export approval to recognize Canada's Ochratoxin A (OTA) sampling and testing protocols and demonstrate Canada's ongoing commitment to EU customers, consumers, and | <p>Progress towards this ongoing priority contributed directly to the achievement of the CGC's strategic outcome of ensuring Canada's grain is safe, reliable and marketable.</p> <p>Future opportunities/efforts</p> <p>KVD</p> <ul style="list-style-type: none"> The full extent of operating in a non-KVD environment is yet to be determined. In collaboration with the 'Industry Committee on the Removal of KVD', evaluation and process adjustments will be essential to maintain the integrity of the wheat quality assurance system. <p>Development of rapid affordable variety identification (VID) technology</p> <ul style="list-style-type: none"> Rapid economical VID technology remains a high priority in a non-KVD environment to mitigate quality risks in wheat shipments. <p>Grain Safety</p> <ul style="list-style-type: none"> The CGC is the only government organization positioned to deal with grain safety issues in the Canadian grain handling system. As food safety awareness has increased, buyers and national food inspection authorities have increased demands for grain safety assurances. The CGC plans to invest additional resources in this area to meet these demands. <p>Grading System Factors - Incorporating Rapid Viscosity Analysis (RVATM) into the Canadian grading system</p> <ul style="list-style-type: none"> An elevated and unacceptable number of equipment failures has delayed plans to incorporate RVATM into the Canadian grading |

| Operational Priorities | Type ¹ | Status | Linkage to the Strategic Outcome |
|--|-------------------------|---|--|
| | | <p>regulators.</p> <p>Grain Safety</p> <ul style="list-style-type: none"> Continued efforts to develop new testing methodologies for mycotoxins and pesticide residues. <p>Research and Objective Testing</p> <ul style="list-style-type: none"> Validated genetically modified (GM) organism detection, identification and quantification methods for canola. | <p>system. Adjustments have been made to the equipment and the technology will be further evaluated in 2009-10.</p> <p>CGC Service Delivery</p> <ul style="list-style-type: none"> The CGC announced plans to transition away from on-site inspection services at prairie facilities. This will result in the closure of CGC service centres in Brandon, MB and Melville and Moose Jaw, SK in fiscal year 2009-10. Service centre closure will not reduce services available to producers, nor impair the CGC's ability to carry out its mandate. |
| <p>Regulatory compliance</p> <p>The CGC promotes, maintains and enforces compliance with the <i>Canada Grain Act</i> (CGA) and the <i>Canada Grain Regulations</i> (CGR). Enforcing compliance results in shipments of grain that consistently meet specifications for quality, safety and quantity. In addition, the CGC regulates the grain industry to protect producers' rights and ensure the integrity of grain transactions.</p> | Ongoing | <p>Successfully met expectations</p> <ul style="list-style-type: none"> Implemented redefined sampling, monitoring, testing and notification procedures and protocols at all points in the grain handling system for all wheat shipments in a non-KVD environment. Successfully reduced administrative requirements and information obligations by more than twenty percent as required by the Canadian Government's Paperwork Burden Reduction Initiative. This required an amendment to the CGR. Continued to enforce licensing and security compliance in accordance with the current CGA and CGR. | <p>Enforcing compliance with the <i>Canada Grain Act</i> and the <i>Canada Grain Regulations</i> directly aligns the CGC with its legislative obligations and its strategic outcome.</p> <p>Future opportunities/efforts</p> <ul style="list-style-type: none"> The CGC remains committed to a sound regulatory framework that is effective, responsive, cost-efficient and accountable. The CGC conducted consultations and subsequently announced plans to eliminate all official inspection and weighing requirements for grain destined to the United States. Regulatory amendments will be proposed. |
| Management Priorities | Type | Status | Linkage to the Strategic Outcome |
| <p>Sustainable CGC funding mechanism</p> <p>A sustainable funding mechanism is imperative for the CGC to carry out its legislated responsibilities and maintain its capacity to create value for producers, the grain industry, and the Canadian public.</p> | Ongoing | <p>Somewhat met</p> <ul style="list-style-type: none"> Initiated a review of alternative funding mechanisms and continued efforts to determine an optimal funding arrangement. Continued the ongoing process of cost containment and internal re-allocation of resources to new and emerging priorities. | <p>A sustainable funding mechanism is necessary for the long term stability of the CGC. This impacts the CGC's strategic outcome as well as all of the program activities.</p> <p>Future opportunities/efforts</p> <ul style="list-style-type: none"> The CGC will continue to work in consultation with AAF Portfolio and Government of Canada Central Agencies to determine an optimal long term funding arrangement. |
| <p>Certification to meet International Organization for Standardization (ISO) Standards</p> <p>ISO certification throughout the CGC</p> | Previously committed to | <p>Somewhat met</p> <ul style="list-style-type: none"> The CGC's main operating division, Industry Services, continues to be ISO 9001:2000 certified. The CGC hired a full time GRL | <p>ISO certification supports the CGC's sole strategic outcome. Maintaining ISO certification in Industry Services directly supports CGC program activity #1 and program activity #2. ISO/IEC accreditation in the GRL will support program activity #1 and program activity #3.</p> |

| Operational Priorities | Type ¹ | Status | Linkage to the Strategic Outcome |
|--|-------------------|---|---|
| will improve efficiencies and give customers increased confidences in the processes and testing methods that support Canada's GQAS. | | ISO coordinator. A GRL ISO Accreditation Working Team has been established to address the ISO 17025:2005 Standard management and technical requirements in the GRL. | <p>Future opportunities/efforts</p> <ul style="list-style-type: none"> The CGC plans to focus on accrediting methods in the Grain Safety area of the GRL (e.g. mycotoxins, pesticide residues, trace elements and varietal identification). |
| <p>Other management priorities</p> <p>Several management priorities were identified in the CGC's 2008-09 Report on Plans and Priorities. These priorities were focused on improving management practices, controls, or infrastructure within the organization in such areas as human resources, risk management, real property management and corporate services.</p> | New | <p>Successfully met expectations</p> <p>Management Accountability Framework (MAF)</p> <ul style="list-style-type: none"> The CGC's MAF (Round V 2007-08) audit results were used to identify management priorities for the 2009-2010 planning period. <p>Business Planning and People Planning Integration</p> <ul style="list-style-type: none"> People Plans were developed for 2008-09 and 2009-10. Detailed assessment and consultation occurred to enhance the people planning process. A tracking and monitoring process was implemented. <p>Performance Development and Achievement (PDAP)</p> <ul style="list-style-type: none"> Approximately 80% of CGC employees attended PDAP training and information sessions. | <p>Progress made towards meeting these management priorities supports the organization in achieving its strategic outcome and all of its program activities.</p> <p>Future opportunities/efforts</p> <ul style="list-style-type: none"> The hiring process for a Chief Audit Executive (CAE) is nearing completion and an appointment is planned in fiscal year 2009-10. The CAE will be responsible for planning and conducting internal audits and evaluations. Review and evaluation of the People Management Framework was deferred until 2009-10 as a result of potential legislative and organizational change and the work associated with it. Efforts will continue to assess the feasibility of integrating Industry Services inspection and weighing employees into one classification group. The CGC will continue efforts to integrate people and business planning. |
| <p>Bill C-39, An Act to Amend the Canada Grain Act (CGA)</p> <p>The CGA has not been substantially changed for more than three decades. Bill C-39, An Act to Amend the Canada Grain Act (CGA), was tabled in December, 2007.</p> | New | <p>Not met</p> <ul style="list-style-type: none"> Bill C-39 died on the order paper when Parliament was dissolved in September 2008. Consequently, on February 23, 2009, Bill C-13, An Act to Amend the Canada Grain Act (CGA), was introduced in Parliament. Bill C-13 re-introduced the same amendments to the CGA as Bill C-39. Bill C-13 is at second reading stage of the legislative process. Further information is available at: http://www.grainscanada.gc.ca/legislation-legislation/bill-projetloi/c13m-mc13-eng.htm | <p>Amendments to the CGA are directly linked to delivery of the CGC's strategic outcome and program activities. The CGC continues to operate under the provisions of the current CGA while the Bill is being considered by Parliament.</p> <p>Future opportunities/efforts</p> <ul style="list-style-type: none"> The CGC is committed to working in consultation with grain sector stakeholders with a goal to modernizing regulation and reducing mandatory costs to the grain sector, including producers. |

¹ Type is defined as follows: **previously committed to**—committed to in the first or second fiscal year before 2008-09; **ongoing**—committed to at least three fiscal years prior to 2008-09; and **new**—newly committed to in 2008-09.

Risk Analysis

The CGC's strategic outcome is directly focused on and committed to ensuring safe, reliable and marketable Canadian grain as well as providing producer protection services to ensure fair grain transactions. The Canadian grain industry and the GQAS delivered by the CGC operate in a climate of constant change. The CGC must be able to adapt to this change to assure consistent and reliable grain quality and grain safety that meets the needs of international and domestic markets.

Risk assessment and risk management is carried out by all CGC divisions and units as an integrated part of their policy, priority setting, planning, resourcing, program delivery, and reporting activities. Feedback from producers and grain handlers, domestic and international processors, and other government organizations often provides early indication of potential risk. Effective management of risks associated with assuring accurate quality and quantity assessment and certification of Canadian grain is fundamental to the CGC's mandate and strategic outcome and often results in opportunities for improvement to CGC operations and the GQAS. From the CGC's inception, its programs and practices have been built on sound risk management principles.

During 2008-09, the CGC began the process of formalizing its corporate risk profile and integrated risk management framework (IRMF) by identifying key strategic risks and the associated integrated risk mitigation strategies. The following table summarizes the main challenges faced by the CGC and the key ongoing risk mitigation strategies used to achieve results and successfully deliver upon the organization's strategic outcome. Successful risk assessment and risk management throughout the organization is evidenced by the CGC's continued capacity to deliver successfully upon its strategic outcome and all of its program activities. Risks and challenges associated with each program activity and strategies to address these challenges are further discussed in Section II.

| Key Ongoing Challenge/ Link to Program Activity | Ongoing Risk Mitigation Strategies |
|---|---|
| Ensure relevance and value of grain standards in facilitating the segregation, movement, and transfer of ownership of grain Program Activity #1 Program Activity #3 | <ul style="list-style-type: none"> • A broad spectrum of producers and grain industry representatives met several times throughout the year, through the Western Standards Committee and the Eastern Standards Committee and commodity-specific subcommittees, to study and review grain standards. Wide representation on the Standards Committees ensures that the views of all principals (producers, marketers, buyers and processors) are considered before changes are made to the Canadian grading system. • Information on the Western and Eastern Standards Committee members and the 2008-09 recommendations can be found at: http://www.grainscanada.gc.ca/gsccommittee-comiteng/egsc-cnge-eng.htm http://www.grainscanada.gc.ca/gsccommittee-comiteng/wgsc-cngo-eng.htm |
| Ensure continued relevancy of the CGC's quality and quantity assurance program activities Program Activity #1 Program Activity #2 | <ul style="list-style-type: none"> • The CGC received ongoing feedback on the GQAS directly from producers, grain handlers, domestic and overseas buyers and processors, and the Western and Eastern Standards Committees. This feedback was used to build upon and strengthen the existing GQAS to ensure continued relevancy. • Adherence to ISO Quality Management System (QMS) procedures includes regular review of quality and quantity assurance processes allowing the CGC to adjust service procedures and identify and/or adjust training as necessary. |
| Science and technology capacity must keep pace with the needs of domestic and international markets in order to ensure Canada's grain is safe, reliable and marketable | <ul style="list-style-type: none"> • Feedback received by CGC personnel from overseas and/or domestic buyers, processors, producers, grain handlers, and the Western and Eastern Standards Committees was used to identify research priorities to build upon and strengthen the existing GQAS to ensure continued relevancy. • Projects undertaken in the GRL are tracked through the CGC's established Project Management System. This system includes the identification of risk management |

| Key Ongoing Challenge/ Link to Program Activity | Ongoing Risk Mitigation Strategies |
|--|--|
| Program Activity #1 Program Activity #3 | and contingency strategies for the management of identified risks. |
| Producer protection programs must align with and be able to adapt to the evolving needs of producers and the grain industry to ensure that producers are compensated fairly for the quality and quantity of grain delivered and shipped Program Activity #4 | <ul style="list-style-type: none"> • The CGC investigated all producer concerns/complaints and consulted with and evaluated feedback from producers on the activities and services provided under the producer protection program activity. • During 2008-09, the CGC completed an extensive risk assessment of the licensing security program, triggered because of the increased transaction risk to grain producers stemming from high and volatile grain prices. Strategies were implemented to address the higher risk. |
| Ensure human resources capacity and capabilities align with the organizational needs All program activities | <ul style="list-style-type: none"> • The CGC has implemented an integrated people and business planning (IPBP) process. Risk assessment and risk management is embedded in the IPBP process to ensure the workforce and work environments align with the current and future needs of the CGC. |

Expenditure Profile

The CGC is funded by a combination of an ongoing appropriation, special appropriation, authority to re-spend fees collected, and a revolving line of credit of \$2 million. The revolving line of credit has been frozen since 2003-2004. Annually, the CGC receives ongoing voted appropriation of \$5.2 million to cover the costs associated with Assistant Commissioners and to fund a portion of the Grain Research Laboratory. The last Assistant Commissioner term ended in June 2008 and no new appointments have been made. As such, Assistant Commissioner functions have been assumed by the Commissioners, the Licensing Unit, and Communications. The remainder of the organization's programming is intended to be cost recovered via Revolving Fund (RF) fee revenues, collected primarily from inspection and weighing services.

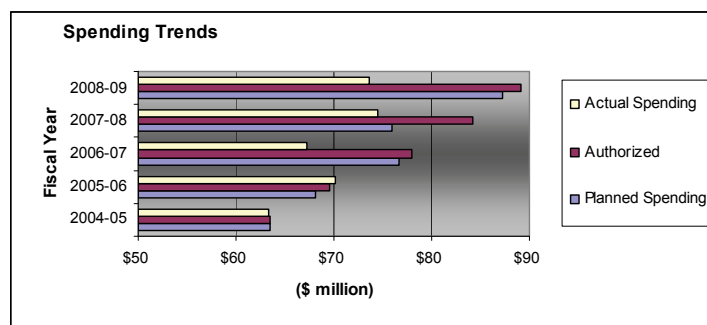
The CGC has fixed costs related to its statutory mandate which cannot be eliminated or reduced as revenue declines. In order to meet evolving grain industry needs, labour contract settlements, and general increases in the costs of goods and services, the CGC maintains an ongoing process of cost containment and reallocates internal resources to meet new and emerging priorities.

The CGC's overall cost recovery level has decreased since the mid-nineties from approximately 90% to between 50-60%. As the organization has been unable to raise its fees since 1999, Parliament has provided the organization with special adhoc appropriations to cover the remainder of its operating costs. The CGC has developed and is pursuing a permanent sustainable funding arrangement involving a combination of ongoing appropriations and fee revenues.

Departmental Spending

| Fiscal Year | Planned Spending (\$ million) | Total Authorities (\$ million) | Actual Grain Volumes (million tonnes) | Actual Spending (\$ million) |
|-------------|-------------------------------|--------------------------------|---------------------------------------|------------------------------|
| 2004-05 | \$63.436 | \$63.472 | 44.9 | \$63.285 |
| 2005-06 | \$68.188 | \$69.500 | 49.9 | \$70.144 |
| 2006-07 | \$76.738 | \$77.959 | 55.8 | \$67.204 |
| 2007-08 | \$75.997 | \$84.236 | 54.8 | \$74.538 |
| 2008-09 | \$87.178 | \$89.178 | 52.5 | \$73.664 |

Note: Actual Spending for 2007-08 and previous years is based on the Audited Financial Statements of the CGC Revolving Fund. These amounts are based on the accrual basis of accounting. Actual Spending for 2008-09 is based on Public Accounts (as instructed by Treasury Board) which is based on the modified cash basis of accounting. Planned spending for 2007-08 does not include \$7 million in supplementary estimates received after amounts were published in the CGC's 2007-08 RPP.



The development of CGC revenue and expenditure projections is required 18 months in advance of a crop being harvested. As a result, planned and actual CGC revenues and expenditures are dependent on annual grain volumes and crop quality which can fluctuate considerably from year to year potentially resulting in significant variances. The difference between planned spending, total authorities, and actual spending is due to the CGC's revolving fund surplus resulting from actual grain volumes that were higher than volumes originally forecast when appropriation amounts were approved.

Voted and Statutory Items

| Vote or Statutory Item (\$ 000) | Truncated Vote or Statutory Wording | 2006-07 Actual Spending | 2007-08 Actual Spending | 2008-2009 | | | |
|---------------------------------|---|-------------------------|-------------------------|----------------|------------------|-------------------|---------------------|
| | | | | Main Estimates | Planned Spending | Total Authorities | Actual |
| 40 | Operating expenditures | 24,666 | 30,940 ¹ | 4,756 | 4,756 | 4,756 | 4,756 ¹ |
| 40a | Program expenditures | 1,221 | 7,600 ¹ | - | - | 28,379 | 27,980 ¹ |
| (S) | CGC Revolving Fund | (127) | (127) | (120) | (120) | (120) | (120) |
| (S) | Contributions to Employee Benefit Plans | 10,683 | 3,919 | 577 | 577 | 577 | 577 |
| | Total | 36,443 | 42,332 ² | 5,213 | 5,213 | 33,592 | 33,193 ² |

The summary of voted Appropriations represents the amount of funding received by the CGC through the approved votes. It compares main estimates, planned spending, and total authorities to what the CGC actually spent.

1. The CGC received authority to access \$26.5 million special "Sunsetter" appropriation previously approved in the fiscal framework. This amount was received by the department through the Supplementary Estimates process instead of through Main Estimates.
2. The CGC was given the authority to utilize \$14.2 million in Operating Surplus for fiscal year 2008-2009.

SECTION II – ANALYSIS OF PROGRAM ACTIVITIES BY STRATEGIC OUTCOME

2.1 Strategic Outcome: Canada’s grain is safe, reliable and marketable and Canadian grain producers are protected.

The CGC’s mandate as set out in the *Canada Grain Act* is to, “in the interests of the grain producers, establish and maintain standards of quality for Canadian grain and regulate grain handling in Canada, to ensure a dependable commodity for domestic and export markets.” The CGC has one strategic outcome: **Canada’s grain is safe, reliable and marketable and Canadian grain producers are protected.** The CGC has identified four program activities to reflect how the resources under its control are allocated and managed to achieve the intended results associated with its strategic outcome. These are: **the quality assurance program, the quantity assurance program, the grain quality research program, and the producer protection program.** A fifth program activity, **internal services**, consists of enabling activities. These services are integral to achieving results associated with the strategic outcome and the four program activities identified above. During the 2008-09 reporting period, the CGC successfully delivered upon its strategic outcome and all of its program activities.

| Strategic Outcome: Canada’s grain is safe, reliable and marketable and Canadian grain producers are protected | | |
|---|--|--|
| Performance Indicator | Target | Performance Summary |
| The number of instances where buyers are dissatisfied with the CGC standards, methods and/or procedures used to ensure a dependable commodity for domestic and export markets | Zero instances where buyers are dissatisfied with CGC standards, methods and/or procedures | <p>Successfully met target</p> <p>The CGC responded to all known instances where buyers were dissatisfied with CGC standards, methods or procedures used to ensure a dependable commodity for domestic and export markets. The <i>Canada Grain Act</i> establishes both an Eastern and Western Standards Committee that meet several times annually to recommend specifications for grades of grain, and select and recommend standard samples. Widespread representation on the Committees ensures that the views of all principals are considered, that any changes to the grading system are grounded in thorough research and investigation, implications for the handling system are understood, and that the grading system is responsive to the needs of producers, the Canadian industry, and domestic and overseas buyers.</p> <p>2008-09 recommendations from the Western and Eastern Standards Committees are available at: http://www.grainscanada.gc.ca/gsccommittee-comiteng/egsc-cnge-eng.htm http://www.grainscanada.gc.ca/gsccommittee-comiteng/wgsc-cngo-eng.htm</p> |
| Producer satisfaction with CGC producer protection services | Zero unaddressed or unresolved complaints | <p>Successfully Met Target</p> <p>The CGC responded to all producer inquiries and complaints during 2008-09. The CGC offers key protections to producers, namely the ability to receive fair payment for the quality and quantity of grain they produce and deliver.</p> |

There continues to be challenges facing the CGC and the GQAS including increased international emphasis on end-use functionality, growing global competition, and shifting domestic crop production and volume fluctuations. In light of increasingly stringent international food safety regulations, the demand for cargo specific grain safety testing continues to increase. Buyers of Canadian grain are increasingly demanding more rigorous, timely testing for chemical residues and trace elements on cargoes. Addressing these challenges is necessary to successfully deliver upon the CGC’s strategic outcome. The CGC remains committed to providing a GQAS that meets the needs of the grain industry today and over the long term in a cost effective manner. This section provides detailed information on the CGC’s achievements as well as challenges associated with each program activity. It is important to note that there are several external factors that affect the demand for CGC services from year to year. The volume of work performed on an annual basis is dependent on grain production and export volumes which in turn is dependent on factors such as weather, crop quality, price, and production choices. Therefore, CGC performance is not better when the demand for services increases or worse when the demand for services decreases. For this reason, comparative analysis information over years is not provided.

2.1.1 Program Activity 1: Quality Assurance Program

| Program Activity: Quality Assurance Program | | | | | |
|--|--|-----------------------------------|--------------------------------|---|-------------------------|
| 2008-2009 Financial Resources (\$ thousands) | | | 2008-09 Human Resources (FTEs) | | |
| Planned Spending ¹ | Total Authorities ¹ | Actual Spending ¹ | Planned ² | Actual | Difference ² |
| 53,306 | 54,686 | 44,165 ¹ | 445 ² | 391 | 54 ² |
| Expected Result | Performance Indicator | Target | Performance Status | Performance Summary | |
| Consistent and reliable grain quality and grain safety assurance to meet the needs of domestic and international markets | Number of justified cargo complaints due to a breakdown in CGC quality and/or safety assurance | Zero justifiable cargo complaints | Successfully met the target | There were zero justified cargo complaints due to a breakdown in CGC assessment of grain quality and safety during 2008-09. | |
| Additional information on the Quality Assurance Program is available at: http://grainscanada.gc.ca/quality-qualite/iaqm-mrsq-eng.htm | | | | | |

¹ The difference between planned spending, total authorities, and actual spending is due to the CGC's revolving fund surplus as well as 23 fewer FTEs than planned. The revolving fund surplus is a result of higher grain volumes handled than originally forecasted when appropriation amounts were approved.

² There was an error in the allocation of planned FTEs between the program activities when the planned FTE numbers were reported in the 2008-09 RPP. Planned FTEs for this program activity should have been 414. Therefore, the actual difference between planned FTEs (414) and actual FTEs (391) is 23. This is due to departures and delays in the hiring process.

Program Activity Summary and Performance Highlights

The CGC's quality assurance program assures consistent and reliable grain quality and grain safety to meet the needs of international and domestic markets. Daily provision of grain inspection and grading services as mandated by the *Canada Grain Act*, as well as strong scientific and technical support programs and services, are integral components to this program activity and the delivery of an effective GQAS. During 2008-09, the CGC successfully delivered an effective Quality Management System as per ISO 9001:2000 Standards. During this timeframe, the CGC met its performance target as there were zero justified cargo complaints due to a breakdown in CGC assessment of quality and safety. To remain relevant and maintain Canada's reputation as a consistent supplier of quality grain, the CGC continued efforts to adapt the GQAS to the end-use needs of domestic and international buyers of Canadian grain and to the ongoing structural changes within the grain industry.

Benefits for Canadians

The CGC's quality assurance program supports not only the delivery of the CGC mandate, but positions Canada with a sustainable competitive advantage in global grain markets. The quality assurance program supports the enhanced marketability of Canadian grain and is a key factor in permitting Canadian exporters to operate successfully in competitive international grain markets and is essential for producers in order to realize maximum value from their grain. Daily provision of grain inspection and grading services form a major part of the quality assurance program. Grades allow buyers to identify end-use performance and therefore value without the need for end-use tests or direct examination of individual lots of grain. This improves the efficiency of grain handling and helps to ensure that sellers receive payment that reflects the value of their grain. Buyers and consumers of Canadian grain increasingly demand more rigorous, timely testing for chemical residues and trace elements. The CGC is the only government agency that provides grain safety assurances on pesticides, trace elements, mycotoxins, and fungi.

This program activity contributes directly to the CGC's strategic outcome of ensuring Canada's grain is safe, reliable and marketable and Canadian grain producers are protected.

Performance Analysis:

During 2008-09, the CGC was successful in meeting the expected results and target associated with this program activity. The CGC continued to deliver consistent and reliable grain quality and grain safety assurance to meet the needs of domestic and international grain markets and continued the ongoing monitoring of domestic and export cargoes to ensure Canadian grain is meeting domestic and international grain safety tolerances and end-use quality. The CGC certified the quality of 5,950 cargoes and investigated complaints from buyers regarding 27 of those cargoes. Upon thorough investigation of the loading process, including analysis of cargo samples and vessel loading documentation, the CGC's Chief Grain Inspector concluded that all complaints were unsubstantiated.

During 2008-09, the CGC provided the following inspection services in accordance with the legislative mandate of the *Canada Grain Act*:

- inspected 239,832 railcars upon receipt at licensed terminal and transfer elevators,
- inspected 23,503 railcars loaded from licensed primary elevators prior to receipt at licensed terminal and transfer elevators,
- inspected 24,481,535 tonnes of grain for export from licensed terminal and transfer elevators,
- provided 5,267 Certificate Finals stipulating the grade and weight of grain loaded on a vessel,
- provided 646 official Probe Certificates for bulk grain in trucks and containers, and
- certified 2,199 samples submitted for grading by producers and 16,989 samples submitted by grain companies.

There were 3,201 grade changes on official re-inspection representing an inspection accuracy rate of 98.7%. This compares to an accuracy rate of 99.0% in 2007-08.

Effective August 1, 2008, KVD was eliminated as a registration criterion for all western Canadian wheat classes. Historically, Canada's KVD requirement allowed segregation of wheat into quality classes based on visual distinguishability. The CGC is a member of the "Industry Committee on the Removal of KVD". The Committee is composed of a producer representative from each of the prairie provinces, the CGC, CWB, the Western Grain Elevator Association, the Inland Terminal Association, and Agriculture and Agri-food Canada. The Committee determined that a combination of an industry system of declarations, grain company quality management systems and protocols, and monitoring and sampling protocols would be relied upon to ensure the quality of Canadian wheat. As part of an agreed upon handling and liability protocol, and the overall wheat quality management system, a declaration system was finalized for the 2008-09 crop year (August 1, 2008-July 31, 2009). The CGC implemented redefined sampling, monitoring, testing and notification procedures and protocols at all points in the grain handling system (from delivery at primary to load out at port), for all wheat shipments. To prepare producers and grain sector stakeholders for the system changes, the CGC undertook extensive communication efforts. Comprehensive, integrated communication/media plans and educational packages were developed in collaboration with the Industry Committee on the Removal of KVD.

The CGC continued efforts to develop protocols for accrediting or designating third party agencies, with CGC oversight, to perform sampling in order to address inconsistencies with respect to container, rail, and bulk handling shipments. This work will continue in 2009-10. These efforts will contribute to maintaining the CGC's international reputation for consistent and reliable Canadian grain shipments.

During 2008-09, CGC scientists and technical experts continued to play an important market support role by liaising with buyers, marketers, industry and producers and providing technical advice and information on grain quality, grain safety, and end-uses. Customer feedback is used to continuously improve the GQAS. CGC staff went on nine overseas market support missions to investigate, train, or convey the quality of Canadian grain to customers. Additionally, there were 17 international delegations that visited the CGC to learn about the CGC and Canada's GQAS. Domestic and overseas buyers have stated that they are satisfied with the overall quality of Canadian grain and Canada's GQAS.

Lessons Learned

The 2008-09 crop year is a transition phase for the removal of KVD. Effective August 1, 2008 producers are required to complete a declaration form confirming that their wheat only contains varieties that are eligible for the

specific class of western Canadian wheat for which payment is being requested. An eligible variety refers to a registered variety and/or a variety that is designated by the CGC to be eligible for a particular wheat class. Any wheat variety can be delivered into the handling system, but only varieties on the CGC's "Variety Designation Lists" are eligible to be graded as one of the eight classes of milling wheat. If a producer grows a variety that is not on one of the designation lists (de-registered or unregistered), that wheat is only eligible for the Canada Western Feed class or the lowest grade of amber durum. Since the declaration system has been implemented, it has become apparent that some producers were unaware that they were growing varieties which have been de-registered. The CGC has increased monitoring of railcar and vessel shipments for the presence and source of non-registered wheat varieties to support the CGC certification processes and ultimately maintain end-use processing quality and customer perceptions of Canadian grain. The CGC and the CFIA will continue working collaboratively with grain handlers, farm groups, the seed sector and the CWB to develop both short and long-term policies and communication protocols to address de-registration of wheat varieties.

The full extent of the issues associated with ineligible varieties, the amount of de-registered varieties in farm storage, and operating in a non-KVD environment are yet to be determined. In collaboration with the Industry Committee on the Removal of KVD, evaluation and process adjustments during and after this crop year will be essential to maintain the integrity of the wheat quality assurance system. Communications remain key in order to:

- ensure all stakeholders are fully cognizant of their obligations and the consequences associated with not complying with agreed upon protocols,
- minimize the risk of ineligible varieties being delivered into the handling system and negatively impacting Canada's international reputation, and
- maintain both domestic and international customer confidence

CGC inspection services are delivered as per ISO 9001:2000 Standards. During 2008-09, there were nine inspection related minor non-conformances identified through internal and external audits. Non-conformances occur when Quality Management System procedures or work instructions are not followed. The CGC has reviewed summary reports that were completed during 2008-09 from both the internal and external audits. In order to take appropriate actions, an Improvement Request(s) form is submitted to the procedure owner and an appropriate corrective action is identified. A timeframe is included to ensure completion. This allows the CGC to adjust service procedures as necessary and identify or adjust training requirements to maintain and/or enhance the effective and consistent delivery of the quality assurance program.

2.1.2 Program Activity 2: Quantity Assurance Program

| Program Activity: Quantity Assurance Program | | | | | |
|---|---|-----------------------------------|--------------------------------|--|-------------------------|
| 2008-2009 Financial Resources (\$ thousands) | | | 2008-09 Human Resources (FTEs) | | |
| Planned Spending ¹ | Total Authorities ¹ | Actual Spending ¹ | Planned ² | Actual | Difference ² |
| 17,659 | 18,040 | 13,260 | 133 | 126 | 7 |
| Expected Result | Performance Indicator | Target | Performance Status | Performance Summary | |
| Consistent and reliable quantity assurance of Canadian grain shipments | Number of justified cargo complaints due to a breakdown in CGC assessment of quantity | Zero justifiable cargo complaints | Successfully met the target | There were zero justified cargo complaints due to a breakdown in CGC assessment of quantity during 2008-09 | |
| Additional information on the Quantity Assurance Program is available at: http://grainscanada.gc.ca/quantity-quantite/iaqnm-mrsqn-eng.htm | | | | | |

¹ The difference between planned spending, total authorities, and actual spending is due to the CGC's revolving fund surplus. This is a result of higher grain volumes handled than originally forecasted when appropriation amounts were approved.

² There was an error in the allocation of planned FTEs between the program activities when the planned numbers were reported in the 2008-09 RPP. Planned FTEs for this program activity should have been 126. Therefore, the actual difference between planned FTEs (126) and actual FTEs (126) is zero.

Program Activity Summary and Performance Highlights

The CGC's grain quantity assurance program assures the weight of grain loaded into or discharged from conveyances. In addition, the quantity assurance program assures the weight of grain in store at licensed terminal and transfer elevators. Daily provision of grain weighing services as mandated by the *Canada Grain Act* forms a major part of the quantity assurance program. To maintain relevancy and address constantly changing industry demands, technical assistance is provided in support of the grain quantity assurance system. During 2008-09, the CGC successfully delivered all weighing services as per ISO 9001:2000 Standards to ensure consistent and reliable quantity assurance of Canadian grain shipments. During this timeframe, there were zero justified cargo complaints due to a breakdown in CGC assessment of quantity.

Benefits for Canadians

The CGC provides ongoing technical advice, training, and information on grain quantity assurance to meet specific industry and buyer needs. The CGC establishes and maintains Canadian grain quantity assurance services to continuously evolve with industry grain weighing procedures and equipment standards. The quantity assurance program is integral to the functioning of Canada's grain industry and the CGC's strategic outcome of ensuring Canada's grain is reliable and marketable and Canadian grain producers are protected. The CGC's grain receipt service and outward weighing programs provide essential quantity data used by the grain industry, railways, Canada Ports Clearance, and the CGC in managing grain inventories and for statistical publications.

Performance Analysis

During 2008-09, the CGC was successful in meeting the expected results and target associated with this program activity. The CGC logged and investigated nine weight-related export cargo complaints at the customer's request. Upon thorough review and analysis of the information documented at the time of loading, the CGC's Chief of Weighing concluded that the original statement of quantity for all the shipments was correct.

During 2008-09, the CGC delivered the following weighing services to meet the legislative mandate of the *Canada Grain Act* and the requirements of the grain industry from producers to customers:

- officially weighed and certified 263,031 railcar unloads upon receipt at licensed terminal and transfer elevators,
- monitored and certified 24,481,535 tonnes of grain prior to export from licensed terminal and transfer elevators,
- officially weighed 3,204 railcars destined for Mexico at licensed primary elevators,
- officially weighed 2,793 railcars destined for the U.S. at licensed primary elevators, and
- conducted seven official weigh-overs of all stocks in store at licensed terminal and transfer elevators to verify the overage or shortage of grain, grain products, or screenings in an elevator pursuant to the tolerances stipulated in the *Canada Grain Regulations*.

During 2008-09, the CGC continued to provide ongoing technical support for the Canadian quantity assurance system. For example, to verify the accuracy and reliability of licensed terminal and transfer elevator weighing equipment, CGC Weighing Systems Inspectors conducted 571 weighing system device inspections. In 207 instances (36%), the device under inspection required an adjustment or servicing. Of these 207 inspections, 86 (42%) were found to be operating with measurement errors of 0.10 percent or greater.

The CGC's Dispute Resolution System (DRS) assists grain producers and the grain industry in recovering for grain lost during transport by railcar or during the discharge process. The DRS utilizes official unload reports documented by CGC staff at licensed terminal and transfer elevators to authenticate received weights. During 2008-09, the CGC conducted 592 weight-related investigations on railcars. In addition, 828 railcars required their weights officially apportioned due to the mixing of grain from two or more railcars in a common grain reception area as the cars were unloaded. Due to incidents around un-recovered spills, 70 cars required their origin weight to be verified and assigned as the official unload weight. The CGC completed 2,844 exception reports for railcars that arrived at unloading facilities with low or empty compartments. Client satisfaction was measured by the instances where disputes with respect to weight were not addressed and feedback was not provided (zero instances during 2008-09). Although the CGC does not provide binding arbitration for weight shortages, a CGC railcar investigation provides key information to support shippers' entitlement to adjustment for excessive grain shortages at unload and transport charges. While client claim success rates are confidential, clients maintain that the information supplied by the CGC's DRS is a very significant part of their claim and is the most reliable information for processing a successful claim.

Lessons Learned

CGC weighing policies and procedures are monitored and evaluated on an ongoing basis through a series of reporting policies and national discussion and review forums. During 2008-2009, there were six minor and zero major weighing/registration related non-conformances identified through internal and external audits. Non-conformances occur when Quality Management System (QMS) procedures or work instructions are not followed. The CGC has reviewed the summary reports that were completed from both the internal and external audits. In order to take the appropriate actions, an Improvement Request(s) form is submitted to the procedure owner, and an appropriate corrective action is identified. A timeframe is attached to ensure completion. A total of 25 formal Improvement Request forms were submitted associated with weighing/registration procedures during 2008-09. This allows the CGC to adjust service procedures as necessary and identify or adjust training requirements to maintain and/or enhance the effective and consistent delivery of weighing services and programs.

2.1.3 Program Activity 3: Grain Quality Research Program

| Program Activity: Grain Quality Research Program | | | | | |
|---|---|---|---|---|-------------------------|
| 2008-2009 Financial Resources (\$ thousands) | | | 2008-09 Human Resources (FTEs) | | |
| Planned Spending | Total Authorities | Actual Spending | Planned | Actual | Difference ¹ |
| 11,350 | 11,801 | 11,484 | 60* | 85 | -25* |
| Expected Result | Performance Indicator | Target | Performance Status | Performance Summary | |
| Research and development on grain quality and grain safety to support and improve Canada's GQAS | Assessment of grain quality and grain safety research undertaken, sponsored, and/or promoted by the CGC | "Excellent" on a scale of excellent, good, fair or poor | Mostly met the expected level of performance Grain quality and grain safety research undertaken, sponsored and/or promoted by the CGC was assessed as "good" during 2008-09. | The majority of project milestones/outcomes were delivered on time and on budget. | |
| Additional information on the Grain Quality Research Program is available at: http://www.grainscanada.gc.ca/research-recherche/iarm-mrsr-eng.htm | | | | | |

* There was an error in the allocation of planned FTEs between the program activities when the planned numbers were reported in the 2008-09 RPP. Planned FTEs for this program activity should have been 83. Therefore, the actual variance between planned FTEs (83) and actual FTEs (85) is two.

Program Activity Summary and Performance Highlights

The *Canada Grain Act* requires the CGC to undertake, sponsor and promote research related to grains. The CGC's Grain Research Laboratory (GRL) conducts research in support of the GQAS to address emerging issues and permit the effective marketing of Canadian grain in the interests of producers and the Canadian grain industry. The GRL researches methods to measure grain quality and safety, new quality and safety factors, and new grain standards. In addition, the GRL carries out the CGC's annual Harvest Sample program. Grain quality and safety research supports the continual improvement of the GQAS. The majority of GRL project milestones and outcomes were delivered on time and on budget during fiscal year 2008-09.

Benefits for Canadians

This program activity is integral to the continued relevancy of Canada's GQAS and contributes directly to the overall success of the CGC in ensuring Canada's grain is safe, reliable and marketable. The grain quality research program contributes to the Government of Canada's objective of a diverse and technologically advanced economy. Research undertaken and sponsored under this program activity leads to the development of recognized methods for quality and safety evaluation of all grains and objective testing protocols and specifications to support the Canadian grading system and facilitate the end-use diversification of Canadian grains. This allows Canada's GQAS to be continually adapted to assure grain quality and grain safety to meet the end-use needs and processing expectations of domestic and international buyers of Canadian grain.

Performance Analysis

During 2008-2009, the GRL successfully conducted research and development on grain quality and grain safety to support and improve Canada's GQAS. The GRL completed several research projects within cost and timelines and successfully met the milestones of numerous ongoing research projects. The GRL's performance results were rated as "good" due to cost and timeline variances associated with some projects. These projects have been reassessed and

while some have been finalized others are still ongoing. Variances are considered normal within a research environment.

The GRL continued to assess the use of objective tests to measure grain quality and grain safety to increase efficiency, reduce costs and enhance the testing capabilities of the CGC. Developing new and improved methods for evaluating and measuring end-use quality and safety factors for all grains (e.g. Near Infrared (NIR), digital imaging, rapid viscosity analysis (RVA), variety identification (VID) technology, pulse cooking quality, and deoxynivalenol (DON) assessment methods) is a major focus of this program activity.

The GRL continued research that supports emerging issues in the GQAS to meet changing producer, industry, and customer demands for specific end-use quality, variety identification, and safety factors (e.g. testing for mycotoxins, environmental impact on end-use quality of wheat and malting barley, food use of flax, alternate uses of wheat, sprout damage in wheat, dehulling in lentils, cooking time in pulses). The CGC continued research efforts on wheat and barley DNA and protein fingerprinting. The aim is to develop tests for identifying and quantifying varieties of grains in shipments in order to develop the capacity for identifying multiple variety composition and enable segregation of variety specific shipments. This technology may also enable determination of genetically modified (GM) status of grain shipments.

The GRL participates in several external proficiency tests on an annual basis to receive unbiased evaluations with respect to accuracy and precision. For example, the American Association of Cereal Chemists check sample service is used by numerous laboratories around the world to evaluate techniques and ensure quality control. The GRL uses this service and several others to test equipment and to monitor the use of proper methods among laboratory personnel. During 2008-09, the GRL participated in nine different external proficiency test programs and was compliant in all.

The CGC's 2008-09 annual Harvest Sample program (includes the Harvest Survey program) was completed on time and on budget. The CGC received and analysed 6,292 producer samples to determine the year's crop quality. The CGC shared the results of the survey with marketers, buyers and processors around the world. The results provide millers, bakers, maltsters and brewers, and food manufacturers' information on how the year's crop will perform in processing. Quality reports were published on wheat, malting barley, canola, flax seed, peas, chick peas, lentils, mustard, pea beans, and soybeans. <http://grainscanada.gc.ca/quality-qualite/hsp-per/hspm-mper-eng.htm>

Staff from the GRL continued to liaise with breeders, clients, and professional associations regarding critical quality requirements for specific end-uses. They interpret quality data in light of their intimate knowledge of changes in world processing technology and market needs to ensure that new varieties do not present a threat to the GQAS. They also recommend changes in quality targets to breeders, as appropriate, on the basis of their discussions with grain processors and buyers in North America and overseas. This quality works assists farmers in being able to grow varieties that buyers are interested in.

The GRL conducts quality evaluation of new breeders' lines annually to determine the lines that meet the quality guidelines and needs of the class for wheat, barley, and canola. This third party unbiased information is a key component of the CFIA registration process for new varieties. During 2008-09, approximately 150 wheat and 120 barley breeders' lines were assessed and reported on in a timely basis. In addition, the CGC assessed 1,831 canola breeders' line samples for NIR oil, protein and glucosinolate content, and complete fatty acid composition.

The GRL continued efforts to develop specifications and measurement protocols to support new standards, develop objective testing protocols and specifications to support the Canadian grading system, and facilitate the end-use diversification of Canadian grains with new end-use traits. The GRL conducted research as recommended by the Western and Eastern Standards Committees in support of grade specifications and the grading system and provided information to these Committees to facilitate recommendations.

Lessons Learned

The changing needs of the Canadian grain industry present new opportunities for the CGC's research activities and the GQAS. There is a shift in the type of crops grown and their end-uses. There is increasing emphasis on end-use functionality, especially new end-uses in the domestic industry. Grain is increasingly being sold based on specifications requiring objective non-visual testing of quality or safety factors and the provision of grain quality and safety assurances. Continually evolving uses of grain requires that the CGC have the ability to anticipate,

identify, and measure new grain quality and safety specifications in order to meet changing industry needs. Research that supports emerging issues in the GQAS continues to be of critical importance to all segments of the Canadian grain industry.

2.1.4 Program Activity 4: Producer Protection Program

| Program Activity: Producer Protection Program | | | | | |
|--|-------------------------------------|---|--------------------------------|--|-------------------------|
| 2008-2009 Financial Resources (\$ thousands) | | | 2008-09 Human Resources (FTEs) | | |
| Planned Spending | Total Authorities | Actual Spending | Planned | Actual | Difference ¹ |
| 4,863 | 4,651 | 4,755 | 27* | 38 | -11* |
| Expected Result | Performance Indicator | Target | Performance Status | Performance Summary | |
| Producer satisfaction with the grain handling system | CGC response to producer complaints | Zero unresolved or unaddressed complaints | Successfully met the target | During 2008-2009 there were zero unaddressed complaints with respect to the producer protection programs administered by the CGC. While the majority of complaints were resolved, there are some ongoing investigations. | |
| Additional information on the Producer Protection Program is available at: http://grainscanada.gc.ca/protection-protection/iappm-mrspp-eng.htm | | | | | |

* There was an error in the allocation of planned FTEs between the program activities when the planned numbers were reported in the 2008-09 RPP. Planned FTEs for this program activity should have been 41. Therefore, the actual difference between planned FTEs (41) and actual FTEs (38) is three.

Program Activity Summary and Performance Highlights

The CGC is mandated to serve producer interests by upholding the *Canada Grain Act* and as such has implemented a number of programs and safeguards to ensure the fair treatment of Canadian grain producers. These include the licensing and security program, allocation of producer cars for producers and producer groups that wish to ship their own grain, and producer liaison measures including a grain grade appeal system. In addition, the CGC collects and updates grain quality data and grain handling information to facilitate producer sales and marketing decisions. The CGC successfully met the expected level of performance for this program activity during the 2008-09 fiscal year. Highlights included the implementation of a risk management system to determine licensing and security requirements.

Benefits for Canadians

This program activity aligns with and directly contributes to the pursuit of the Government of Canada outcome area: *A fair and secure marketplace*. This program contributes to the Government of Canada's objective in this outcome area of a secure, fair marketplace that maintains and enhances consumer confidence and gives businesses an optimal environment for competitiveness. The licensing program, producer car allocation program, and the producer protection programs directly contribute to ensuring Canadian grain producers are properly compensated for the quality and quantity of grain delivered and shipped.

Performance Analysis

During 2008-09, the CGC responded to numerous inquiries and complaints from producers. Topics included contract disputes between producers and licensees, grading disputes, non-payment/slow payment to producers, inquiries related to shrinkage and tariff deductions and complaints regarding proper issuance of documents. The CGC was successful in meeting the program activity target of zero unaddressed complaints with respect to the producer protection programs administered by the CGC. While the majority of complaints were resolved, there are some ongoing investigations. Producer inquiries related to moisture shrinkage (currently prescribed by CGC order) and comprehensive shrinkage (currently prescribed in the *Canada Grain Regulations*) resulted in internal policy reviews. The CGC plans to consult externally during fiscal year 2009-10.

As of March 31, 2009 the CGC had issued licences for 321 primary elevators, 46 process elevators, 15 terminal elevators, 12 transfer elevators, and 97 grain dealers. There are currently 45 known unlicensed companies that require licensing under the *Canada Grain Act*. Of these, all have initiated the licensing process. During 2008-09, 53 licensees were audited by the CGC and Audit Services Canada to ensure appropriate security coverage. Financial statements from all licensees were reviewed. The CGC implemented a risk assessment process to regularly review and assign a financial risk rating and an overall risk rating (high, medium, low) for all licensees. Staffing took place for a Head, Audits, two term field auditors, and a financial statement reviewer to free up audit times for CGC compliance auditors.

The CGC cancelled one licence in February, 2008 as a result of the company advising the CGC that they were in 'voluntary receivership'. Security posted by the company as part of its licensing agreement was used to compensate all eligible producers who were not paid for delivered grain during the 90 days prior to the company going out of business. Claims eligible for compensation totalled \$129,215. In addition, the CGC revoked one grain dealer licence in February, 2009 as a result of the licensee advising the CGC that it could not meet its payment obligations. The CGC has initiated the process of realizing on security and finalizing claims and compensation. CGC staff responded to all known instances of licensing non-compliance and all producer concerns regarding fair payment.

The CGC has sole responsibility for the allocation of producer cars for both Canadian Wheat Board (CWB) and non-CWB grains. During 2008-09, the CGC worked closely and cooperatively with the CWB, grain companies, and the railways in an effort to ensure that producer car orders are filled in a timely manner. The CGC received and processed approximately 12,500 applications from producers for producer cars and responded to all complaints with respect to administration of the allocation of producer cars.

Producer support programs include mediating and/or arbitrating producer complaints concerning transactions with licensed grain companies, re-inspection of samples on producer request and investigation of quality and dockage complaints. During 2008-09, the CGC responded to all producer complaints related to compensation received for the quality and/or quantity of grain delivered within the licensed grain handling system. In addition, the CGC collects and updates grain quality data and grain handling information and makes it available to producers and other interested parties to facilitate producer sales and marketing decisions.

Lessons Learned

The CGC continually strives to improve on the programs and activities that directly contribute to the CGC's mandate of facilitating fair treatment of producers within the licensed grain handling system. For example, the CGC recently implemented a producer inquiry database system to more accurately track producer complaints and inquiries. The challenges associated with protecting producers' rights are the time it takes to gather all the facts from parties and then to review and make decisions. In terms of producer cars, the challenge is to get enough cars to meet demand, and in a timely fashion.

The proposed amendments to the *Canada Grain Act* include clarification of the CGC mandate by identifying that the CGC shall specifically act in the interests of producers with respect to: deliveries to elevators and grain dealers, access to binding CGC determination of grade and dockage and allocation of producer railway cars. In addition, the amendments include repealing the CGC producer payment security program and extending "subject to inspector's grade and dockage" provisions to include producer deliveries to licensed grain dealers and process elevators. During the reporting period, the CGC worked closely with officials from Agriculture and Agri-Food and other departments and agencies, to advise the Minister with respect to Bill C-13 amendments. These efforts will continue in 2009-10.

SECTION III – SUPPLEMENTARY INFORMATION

3.1 Financial Highlights

Fiscal year 2008-09 CGC audited financial statements can be accessed using the following link:
<http://www.grainscanada.gc.ca/cgc-ccg/cr-rm/finance/2009/fs09-ef09-eng.htm>

Audited Financial Statements are prepared in accordance with generally accepted accounting principles.

| Condensed Statement of Financial Position | | | |
|--|-------------------------------------|--------------------------------|--------------------------------|
| For the Period ending March 31, 2009 | | | |
| | Percent Change from 2008 | 2009 (\$ thousands) | 2008 (\$ thousands) |
| ASSETS | | | |
| Total Assets | -0.9% | 45,351 | 45,782 |
| TOTAL | -0.9% | 45,351 | 45,782 |
| LIABILITIES | | | |
| Total Liabilities | 11.0% | 18,820 | 16,960 |
| EQUITY | | | |
| Total Equity | -7.9% | 26,531 | 28,822 |
| TOTAL | -0.9% | 45,351 | 45,782 |

| Condensed Statement of Operations | | | |
|--|-------------------------------------|--------------------------------|--------------------------------|
| For the Period ending March 31, 2009 | | | |
| | Percent Change from 2008 | 2009 (\$ thousands) | 2008 (\$ thousands) |
| EXPENSES | | | |
| Quality Assurance | -4.4% | 44,217 | 46,257 |
| Quantity Assurance | -3.5% | 13,349 | 13,830 |
| Grain Quality Research | 10.4% | 11,601 | 10,511 |
| Producer Protection | 21.2% | 4,774 | 3,940 |
| Total Expenses | -0.8% | 73,941 | 74,538 |
| REVENUES | | | |
| Quality Assurance | -19.8% | 42,517 | 53,009 |
| Quantity Assurance | -21.2% | 13,135 | 16,677 |
| Grain Quality Research | 10.4% | 11,601 | 10,511 |
| Producer Protection | 11.6% | 4,397 | 3,940 |
| Total Revenues | -14.8% | 71,650 | 84,137 |
| NET COST OF OPERATIONS | | 2,291 | (11,222) |

Assets

Total assets were \$45.4 million at the end of 2008-09, a decrease of \$0.4 million (0.9%) over the previous year's total assets of \$45.8 million. Accumulated net charge against the Fund's authority (ANCAFA) comprised 71% of total assets at \$32.4 million. Tangible capital assets represented \$6.9 million (15%) and accounts receivable represented \$6.1 million (14%).

Liabilities

Total liabilities were \$18.8 million at the end of 2008-09, an increase of \$1.9 million (11%) over the previous year's total liabilities of \$17.0 million. Employee severance benefits represented the largest portion of liabilities at \$10.1 million or 54% of total liabilities. Accounts payable

(including salaries, vacation and overtime) represented \$8.6 million (45%) while Deferred Revenues made up less than 1% of total liabilities.

Expenses

Total expenses for the CGC were \$73.9 million in 2008-09. The majority of funds, \$57.2 million or 77%, were spent on salaries and benefits; while the remaining \$16.7 million or 23% were operating expenses (e.g. rent, professional services, travel, amortization and repairs). Expenses remained consistent with 2007-08.

Revenues

The CGC's total revenues amounted to \$71.6 million for 2008-09, a decrease of \$12.5 million over previous year's total revenues of \$84.1 million. Revenues are split between appropriation dollars received and service fees generated. Appropriation has decreased \$9.5 million (23%) from 2007-08. This decrease is due to the CGC having Treasury Board approval to utilize \$14.2 million of CGC's existing operating surplus. Service fees revenue decreased \$2.9 million (7%) due to a 2.3 million tonne reduction in grain volumes handled from 2007-08 to 2008-09.

Net Cost of Operations

CGC utilized operating surplus which was not reflected in revenue recorded in the financial statements. The CGC was authorized to use \$14.2 million of operating surplus, however, only accessed \$2.3 million of this authority.

3.2 List of Supplementary Information Tables

The following electronic supplementary information tables can be found on the Treasury Board of Canada Secretariat's website at: <http://www.tbs-sct.gc.ca/dpr-rmr/2008-2009/index-eng.asp>

Table 1: Sources of Respendable Revenue

Table 2: User Fees/External Fees

Table 9: Green Procurement

Table 10: Response to Parliamentary Committees and External Audits

Table 11: Internal Audits and Evaluations

3.3 Other Items of Interest

Corporate Infrastructure/Internal Services

The CGC has historically reported on corporate infrastructure support functions. Future CGC reporting documents will include a fifth program activity titled “Internal Services”. This program activity includes groups of related activities and resources that are administered to support the needs of programs and other corporate obligations of an organization. These include Management and Oversight Services; Communications Services; Legal Services; Human Resources Management Services; Financial Management Services; Information Management Services; Information Technology Services; Real Property Services; Materiel Services; Acquisition Services; and Travel and Other Administrative Services. During 2008-09, the CGC successfully delivered Internal Services across the organization to meet the expected results associated with all of its program activities and the performance indicator targets associated with its strategic outcome.

Government-Wide Initiatives

Although the CGC is a small statutory agency with limited resources, it prides itself on the ability to implement government-wide initiatives. The CGC is committed to government-wide initiatives such as providing services in both official languages, the Government On Line (GOL) initiative, and effective partnering with other government organizations to provide effective, efficient service to Canadians. During the 2008-09 reporting period, the CGC was successful in meeting the Government of Canada’s Paper Burden Reduction Initiative targets.

Management Accountability Framework

The CGC continued to pursue the goals of the ten elements of the Management Accountability Framework (MAF). Three priority areas for focused effort were identified as a result of the MAF Round V Audit (2007-2008). These are Effectiveness of the Internal Audit Function, Effectiveness of Corporate Risk Management and Quality Reporting to Parliament. During 2008-09, the CGC:

- is nearing completion of the hiring process for a Chief Audit Executive,
- initiated the review and formalization of its Risk Management Profile and its Integrated Risk Management policy, and
- implemented many changes to improve reporting to Parliament.

The CGC completed its MAF Round VIII Action Plan which can be found at:

<http://www.grainscanada.gc.ca/cgc-ccg/cr-rm/maf-cgr/maf8-cgr8-eng.htm>. The desired outcome of the CGC’s action plan is a rating of “acceptable” or “strong” in all management areas in the Round VIII assessment.

Collaborative work and partnering with other Government Organizations

The CGC continued its collaborative work with AAF Portfolio partners through membership on committees dealing with: low level presence (LLP) of GM events in grain shipments and required detection technologies, implementation of regulations by importing countries in accordance with the international Biosafety Protocol, Plants for Molecular Farming, the Seed Policy Coordination Working Group, and the Portfolio Science Leads Committee. In addition, the CGC is working closely with the CFIA Seed Section and Grains and Oilseeds Section within the Field Crops Division to align sampling procedures and oversight of private sector samplers.

The CGC continued to provide ongoing phytosanitary inspection of grain elevators on behalf of the CFIA to eliminate the duplication of services. The CGC also continued to provide ongoing services on behalf of the U.S. Federal Grain Inspection Service in eastern Canada as per the Memorandum of Understanding to facilitate the movement of grain.

The development of the CGC’s two new voluntary HACCP-based (Hazard Analysis Critical Control Points) grain safety assurance systems was done in close collaboration with the provinces (Manitoba and Ontario) and industry to ensure the programs reflect the operational and market realities facing the grain industry.