

Agriculture and Agri-Food Canada

2009-10

Departmental Performance Report



Agriculture and
Agri-Food Canada

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Canada

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Minister's Message

Canada's hardworking farm families are the backbone of our country, our economy and our health and wellbeing as Canadians. The Canadian agriculture and food sector is a major driver of our Gross Domestic Product, and provides and creates jobs. In 2009, it contributed almost \$40 billion to our trade and \$8.5 billion to our trade surplus. In the wake of the global economic downturn, agriculture continues to be a strong force for economic recovery right across Canada.

2009-10 was a challenging year for our farmers, and I'm proud of the hard work accomplished for the sector by our Government, by Agriculture and Agri-Food Canada (AAFC) and by the portfolio organizations, working closely with industry and provincial and territorial governments.

We rolled out proactive, flexible programs under the *Growing Forward* framework, helping our farmers capture new markets, manage business risk, take action on the environment and food safety, and increase innovation through collaborative science clusters.

We helped farmers and processors weather the economic storm through investments under Canada's Economic Action Plan (EAP) to secure a competitive livestock and processing sector, build a national livestock traceability system, brand Canadian food internationally, and give all farmers, including beginning farmers, access to an estimated \$1 billion in credit over five years. We also worked with Canada's pork producers to help their industry rebuild for the future. And, to keep Canadian agriculture on the leading edge of innovation, we are investing almost \$26 million under the EAP on upgrades to eight laboratories across the country.



The Honourable Gerry Ritz

Our farmers and food processors export about half their production, so we worked hard with industry to attract more buyers to bid on their products in key markets around the world, including Latin America, the Middle East, Asia, and Russia. We backstopped those efforts with the new Market Access Secretariat, to ensure a coordinated approach with provinces, territories and industry to deal quickly with market access urgencies such as our canola and pork trade with China.

Canada continued to seek out enhanced market access opportunities for our agricultural producers, processors and exporters by advancing an active regional and bilateral trade agenda, which included the launch of a major negotiation with one of our key trading partners, the European Union. At the multilateral level, Canada also remained committed to efforts to achieve a more level international playing field and improved opportunities through the World Trade Organization agriculture negotiations. In pursuing this international agenda, the Government continued to deliver on its strong support for supply management. We also continued to stand up for our export-oriented sectors, making sure that our trading partners respect science-based approaches to trade.

To help the agriculture sector grow and compete, AAFC has launched the *Science and Innovation Strategy*, focusing on seven key goals and strengthening collaboration with industry and academia.

As Minister, I am grateful the partner organizations of the Agriculture and Agri-Food Portfolio share my steadfast commitment to ensuring the industry's success. By working together, they allow me to meet the sector's needs effectively and efficiently. I know I can rely on their continued support in tackling the sector's challenges, while helping it achieve growth and profitability.

The Honourable Gerry Ritz, P.C., M.P.,
Minister of Agriculture and Agri-Food
Minister for the Canadian Wheat Board

Departmental Overview

Raison d'être

Agriculture and Agri-Food Canada (AAFC) was created in 1868 – one year after Confederation – because of the importance of agriculture to the economic, social and cultural development of Canada. Today, the Department helps ensure the agriculture, agri-food and agri-based products industries can compete in domestic and international markets, deriving economic returns to the sector and the Canadian economy as a whole. Through its work, the Department strives to help the sector maximize its long-term profitability and competitiveness, while respecting the environment and the safety and security of Canada's food supply.

Responsibilities

AAFC provides information, research and technology, and policies and programs to help Canada's agriculture, agri-food and agri-based products sector increase its environmental sustainability, compete in markets at home and abroad, manage risk, and embrace innovation. The activities of the Department extend from the farmer to the consumer, from the farm to global markets, through all phases of producing, processing and marketing of agriculture and agri-food products.

AAFC's mandate is based upon the *Department of Agriculture and Agri-Food Act*. The Minister is also responsible for the administration of several other Acts, such as the *Canadian Agricultural Loans Act*. A list of these Acts is available at: www.agr.gc.ca/acts.

The Department is responsible for ensuring collaboration among the organizations within the Agriculture and Agri-Food Portfolio; this means coherent policy and program development and effective cooperation in meeting challenges on cross-portfolio issues. The other portfolio organizations include: the Canadian Dairy Commission; the Canadian Food Inspection Agency; the Canadian Grain Commission; Farm Credit Canada; Canada Agricultural Review Tribunal; and the Farm Products Council of Canada. For more information on these portfolio organizations, visit www.agr.gc.ca/portfolio. AAFC also includes the Canadian Pari-Mutuel Agency, a special operating agency that regulates and supervises pari-mutuel betting on horse racing at racetracks across Canada.

AAFC provides the overall leadership and coordination on federal rural policies and programs through Canada's Rural Partnership, and supports co-operatives to promote economic growth and social development of Canadian society. Through the Rural and Co-operatives Development program activity, AAFC coordinates the Government's policies towards the goal of economic and social development and renewal of rural Canada. This program activity also facilitates the development of co-operatives which help Canadians and communities capture economic opportunities.

The Department also supports the Minister in his role as Minister for the Canadian Wheat Board.

Strategic Outcomes and Program Activity Architecture (PAA)

Strategic Outcomes

To effectively pursue its mandate and make a difference to Canadians, AAFC's policies and programs are designed to achieve the following three Strategic Outcomes (SO):

SO 1 An environmentally sustainable agriculture, agri-food and agri-based products sector

AAFC supports an economically and environmentally sustainable agriculture, agri-food and agri-based products sector that ensures proper management of available natural resources and adaptability to changing environmental conditions. Addressing key environmental challenges in Canada, including agriculture's impact on water quality and water use, adaptation to the impact of climate change, mitigation of agriculture's greenhouse gas emissions and the exploration of new economic opportunities, will contribute to a cleaner environment and healthier living conditions for the Canadian public, while enabling the sector to become more profitable.

SO 2 A competitive agriculture, agri-food and agri-based products sector that proactively manages risk

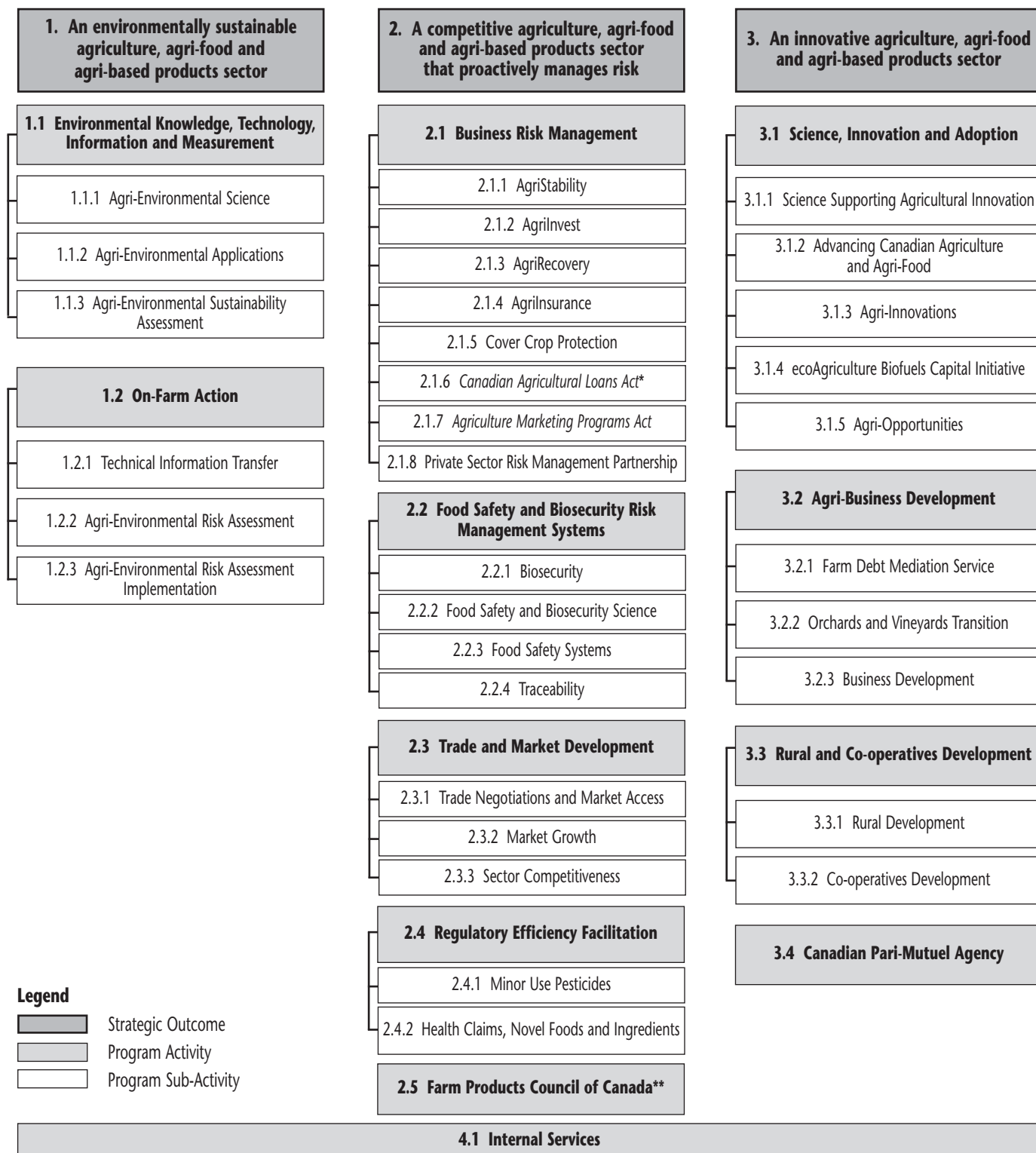
Canada's capacity to produce, process and distribute safe, healthy, high-quality, and viable agriculture, agri-food and agri-based products is dependent on its ability to proactively manage and minimize risks and to expand domestic and global markets for the sector by meeting and exceeding consumer demands and expectations. Proactive risk management to ensure food safety, market development and responsiveness, and an improved regulatory environment contribute directly to the economic stability and prosperity of Canadian farmers and provide greater security for the Canadian public regarding the sector.

SO 3 An innovative agriculture, agri-food and agri-based products sector

Sector innovation includes the development and commercialization of value-added agricultural-based products, knowledge-based production systems, processes and technologies, and equipping the sector with improved business and management skills and strategies to capture opportunities and to manage change. Such innovation is vital for ongoing growth and improvement in the productivity, profitability, competitiveness, and sustainability of Canada's agriculture, agri-food and agri-based products sector and its rural communities.

Program Activity Architecture

The graphic below displays AAFC's Program Activities and Program Sub-Activities that comprise its Program Activity Architecture (PAA). This PAA reflects how the Department allocates and manages its resources and makes progress toward its Strategic Outcomes.



* The *Canadian Agricultural Loans Act* replaced the *Farm Improvement and Marketing Cooperatives Loans Act* in June 2009.

** The name changed in the fall of 2009 from the National Farm Products Council to Farm Products Council of Canada.

Summary of Performance

2009-10 Financial Resources (\$ millions – net)

Planned Spending	Total Authorities	Actual Spending
3,223.4	2,883.6	2,605.2

There is an overall reduction between planned spending and total authorities primarily as a result of a reduction in the requirement for Business Risk Management program funding due to a strong rise in crop receipts, mainly in the grains and oilseeds sector. Variances between total authorities and actual spending result from impacts of the global economic downturn, the annual demand for multi-year program funding as well as timing of new program implementation. The majority of the unspent funding is expected to be carried forward for use in future years.

2009-10 Human Resources (FTEs*)

Planned	Actual ¹	Difference ²
6,403	6,280	(123)

* Full-time Equivalents

¹ Full-Time Equivalents – reflect only those FTEs funded through the Department's appropriated resources. In addition to the actual FTEs of 6,280 there were 53 FTEs employed by AAFC for research funded through collaborative agreements with industry partners and 21 FTEs funded from other government departments. Also, 438 FTEs were employed as students.

² The overall departmental reduction of 123 FTEs is primarily a result of attrition and the transfer of the delivery of the AgriStability program from the federal government to British Columbia and Saskatchewan, which is an initiative under Canada's Economic Action Plan discussed in Section II.

Strategic Outcome 1: An environmentally sustainable agriculture, agri-food and agri-based products sector

Performance against this Strategic Outcome is measured by a set of agri-environmental indices. These indices listed below measure agri-environmental performance progress in each of the four key areas of soil, water, air, and biodiversity. The scale for these indices is: 0-20 = Unacceptable; 21-40 = Poor; 41-60 = Average; 61-80 = Good; and 81-100 = Desired. A target of 81-100, with a stable (index value change +/- 2 or less) or improving trend, represents the desired value for the sector's performance. Indices are calculated on 5 year intervals coinciding with the Census of Agriculture and current results are based on 2006 data published in 2010 in Environmental Sustainability of Canadian Agriculture: Agri-Environmental Indicator Series, Report #3 (www.agr.gc.ca/NAHARP). Long term trends represent change in indices between 1981 and 2006; short term trend represents change between 2001 and 2006.

Performance Indicators	Targets	2009-10 Performance
Soil Quality Agri-Environmental Performance Index	81 by Mar 31, 2030	The Soil Quality index was 77 (within the <i>Good</i> range) and showed an improving trend in both the long term (+11) and short term (+3). This is attributed to increased adoption of conservation and no-till practices, increased forage and permanent cover crops, and reduced use of summerfallow.
Water Quality Agri-Environmental Performance Index	81 by Mar 31, 2030	The Water Quality index was 78 (within the <i>Good</i> range) and showed a deteriorating trend in both the long term (-16) and short term (-7). This is due to an overall increase in supplemental nutrients as there was an increase in farmland under cultivation. Note: climatic conditions experienced during 2001 resulted in an improvement of performance in that year relative to 1996. Performance in 2006 was stable in relation to 1996.
Air Quality Agri-Environmental Performance Index	81 by Mar 31, 2030	The Air Quality index was 63 (within the <i>Good</i> range) and showed an improving trend in both the long term (+8) and short terms (+2). This is attributed to increased adoption of conservation and no-till practices, increased forage and permanent cover crops, and reduced use of summerfallow.
Biodiversity Quality Agri-Environmental Index*	81 by Mar 31, 2030	The Biodiversity index was 49 (within the <i>Average</i> range) on the Agri-Environmental Index, showing a stable trend (+1). (Trend in this case is between 1996 and 2006, the only years currently covered by this index.)

* Note: Biodiversity Quality Agri-Environmental Index based on a single Agri-Environmental Indicator (Wildlife Habitat Capacity Change on Farmland)

(\$ millions – net)

Program Activity	2008-09 Actual Spending ¹	2009-10				Alignment to Government of Canada Outcome
		Main Estimates ²	Planned Spending ³	Total Authorities ⁴	Actual Spending ⁵	
Environmental Knowledge, Technology, Information and Measurement		58.3	58.8	66.4	92.9	A Clean and Healthy Environment
On-Farm Action		120.9	121.7	146.8	85.0	
Total for S01		179.2	180.6	213.2	178.0	

Strategic Outcome 2: A competitive agriculture, agri-food and agri-based products sector that proactively manages risk		
Performance Indicators	Targets	2009-10 Performance
Increase in agriculture and agri-food Gross Domestic Product (GDP)*, in constant dollars (2002 dollars)**	10% by Mar 31, 2013 from 2009 baseline	This portion of the Agriculture and Agri-Food GDP* increased in 2009 to \$43.8 billion from \$42.5 billion. The food processing industry remained fairly stable at \$23.7 billion. Primary agriculture's contribution rose 6% to \$20.1 billion or 1.7% of GDP in 2009.

* Consisting of Primary Agriculture and Food, Beverage and Tobacco Processing, including seafood processing, which are relevant to this Strategic Outcome.

** When the indicator and target were developed in 2008, 1997 was the base year for deflating GDP and other indicators, which is reflected in the 2009-10 RPP. Since then, the base year was updated to 2002 as the baseline for deflating GDP.

(\$ millions – net)

Program Activity	2008-09 Actual Spending ¹	2009-10				Alignment to Government of Canada Outcome
		Main Estimates ²	Planned Spending ³	Total Authorities ⁴	Actual Spending ⁵	
Business Risk Management		1,534.6	2,088.3	1,558.6	1,508.2	Strong Economic Growth
Food Safety and Biosecurity Risk Management Systems		140.5	140.6	126.2	98.1	
Trade and Market Development		96.8	97.5	127.6	100.5	
Regulatory Efficiency Facilitation		37.9	37.9	26.1	12.5	
Farm Products Council of Canada		2.7	2.7	3.2	3.0	
Total for S02		1,812.5	2,367.0	1,841.8	1,722.2	

Strategic Outcome 3: An innovative agriculture, agri-food and agri-based products sector		
Performance Indicators	Targets	2009-10 Performance
Increase in agriculture Net Value-Added (Value-Added is a Statistics Canada measure of Canadian value-added GDP)	7% by Mar 31, 2014 from 2009 baseline	In making progress toward the four-year goal for this Program Activity, AAFC is meeting or exceeding its targets at the Program Sub Activity (PSA) and the Program Sub Sub Activity (PSSA) levels. Please see the Performance Analysis in Section II of this report for a description of progress at these lower levels.
Percentage increase in the development of food and other agriculture-derived products and services as measured by 1) revenues from bioproducts and private industry's Research and Development (R&D) expenditures in the agri-food sector as measured by the food processing and bioproducts sectors and 2) percentage increase in private industry's R&D expenditures in the agri-food sector as measured by the food processing and bioproducts sectors (Percentage reflects a real increase, after adjustments for inflation)	10% by Mar 31, 2014 from 2006 baseline	In making progress toward the four-year goal for this Program Activity, AAFC is meeting or exceeding its targets at the PSA and PSSA levels. Please see the Performance Analysis in Section II of this report for a description of progress at these lower levels.

(\$ millions – net)

Program Activity	2008-09 Actual Spending¹	2009-10				Alignment to Government of Canada Outcome
		Main Estimates²	Planned Spending³	Total Authorities⁴	Actual Spending⁵	
Science, Innovation and Adoption		316.1	322.3	354.9	275.7	An Innovative and Knowledge-Based Economy
Agri-Business Development		38.8	45.0	81.4	48.6	
Rural and Co-operatives Development		20.8	21.0	24.9	22.0	
Canadian Pari-Mutuel Agency		(0.0)	(0.0)	4.9	0.7	A Fair and Secure Marketplace
Total for SO3		375.7	388.3	466.2	347.0	

(\$ millions – net)

PA 4.1: Internal Services (Supports all Strategic Outcomes)					
Program Activity	2008-09 Actual Spending¹	2009-10			
		Main Estimates²	Planned Spending³	Total Authorities⁴	Actual Spending⁵
Internal Services		282.1	287.6	362.4	357.9
Total for PA 4.1		282.1	287.6	362.4	357.9

(\$ millions – net)

Total Department					
	2008-09 Actual Spending¹	2009-10			
		Main Estimates²	Planned Spending³	Total Authorities⁴	Actual Spending⁵
Sub-total Planned Spending (net)	2,585.7	2,649.6	3,223.4	2,883.6	2,605.2
Less: Non-responsible revenue	58.4	N/A	34.4	N/A	53.6
Plus: Cost of services received without charge ⁶	57.7	N/A	54.9	N/A	65.2
Total Departmental Spending	2,585.0	N/A	3,243.9	N/A	2,616.9

¹ Refer to AAFC's previous DPRs for detailed financial information for 2008-09. Historical comparison by Program Activity is not possible as AAFC's 2008-09 actual expenditures are not available by the current Program Activity structure since the financial coding for that year does not allow a crosswalk of the data between the former and current Program Activities. Further affecting the comparability of actual expenditures with previous years, by Program Activity, is the treatment of the Internal Services Program Activity. Commencing in the 2009-10 Estimates cycle, resources for Internal Services are displayed separately from other Program Activities, and no longer distributed among the remaining Program Activities, as was the case in previous years' Estimates. For an explanation of the variances for total departmental spending, please refer to the Expenditure Profile subsection of this report.

² Main Estimates figures are as reported in the 2009-10 Main Estimates.

³ Planned spending figures are as reported in the 2009-10 Report on Plans and Priorities, however, the table identifies the Non-Responsible revenue portion of planned spending separately as opposed to including it within each Program Activity amount. Planned spending reflects funds already brought into the Department's reference levels as well as amounts to be authorized through the Estimates process as presented in the Annual Reference Level Update. It also includes adjustments totalling \$573.8 million for funding approved in the government fiscal plan, but not yet to be brought into the Department's reference levels.

⁴ Total authorities are 2009-10 Main Estimates plus a net total of \$234.0 million in adjustments comprised of: Supplementary Estimates and Allotment transfers received during the 2009-10 fiscal year, as well as adjustments to statutory amounts to equal actual spending, internal adjustments and transfers, as reported in the 2009-10 Public Accounts.

⁵ Actual spending figures represent the actual expenditures incurred during the 2009-10 fiscal year, as reported in the 2009-10 Public Accounts. In certain cases, where authorized amounts are unspent, they can be reprofiled for use in future years.

⁶ Cost of services received without charge includes accommodation provided by Public Works and Government Services Canada, the employer's share of employees' insurance premiums and expenditures paid by Treasury Board Secretariat (excluding revolving funds), Workers' Compensation coverage provided by Human Resources and Skills Development Canada, and services provided by Justice Canada.

The figures in the above tables have been rounded. Due to rounding, figures may not add to the totals shown.

Contribution of Priorities to Strategic Outcomes

Competitiveness, innovation and adaptation are key elements to ensuring the agriculture, agri-food and agri-based products sector's long-term profitability. These elements were reflected in AAFC's priorities in 2009-10 that focused on enabling producers and enterprises to achieve a sustainable competitive advantage.

AAFC helped the sector identify and respond to emerging trends ahead of Canada's competitors, and provided the tools necessary to enable the sector to achieve lower costs and penetrate higher-value markets. The Department also provided investments in: food safety systems, biosecurity and traceability to protect Canadians from food safety-related incidents and ensure that trading partners have confidence in Canadian products; business and skills development to ensure that agri-businesses have the tools they need to compete; and scientific research to support better government-industry cooperation in developing new and leading edge products and processes.

In 2009-10, AAFC worked with provincial and territorial governments to implement fully the *Growing Forward* policy framework (www.agr.gc.ca/growingforward). This includes a comprehensive suite of Business Risk Management (BRM) programs and non-BRM programs that support sector competitiveness through innovation, business development, environmental performance, regulatory reform, international market development, and systems for food safety, biosecurity, and traceability. While the BRM program suite was launched April 1, 2008, other *Growing Forward* programs began rolling out April 1, 2009. Non-BRM programs are either delivered and funded federally, or are based on a cost-shared arrangement and predominantly delivered by provinces and territories.

In addition to the *Growing Forward* work under way, AAFC implemented in 2009-10 important initiatives under Canada's Economic Action Plan (EAP) to help the sector and Canada's economy recover from the global economic downturn. Further information on EAP initiatives is provided in Section II of this report.

Additional information on the Department's operational priorities is provided in the following table.

Operational Priorities	Type	Status	Linkages to Strategic Outcomes
<p>Delivering on <i>Growing Forward</i></p> <p><i>Growing Forward</i> is the key framework agreement governing federal, provincial and territorial agriculture programs in Canada. It is designed to help ensure a competitive and innovative agriculture and agri-food sector that responds to society's priorities while proactively managing risks. By implementing programming in a range of areas, the five-year <i>Growing Forward</i> agreement allows federal, provincial and territorial governments to work in partnership towards common objectives.</p>	Ongoing	<p>Met:</p> <p><i>Growing Forward</i> includes a suite of BRM and non-BRM programs to improve sector competitiveness with a focus on innovation, business development, the environment, regulatory improvements, international markets and food safety, biosecurity and traceability.</p> <p>Negotiations on bilateral agreements were completed in each province and territory, and the majority of federal and cost-shared non-BRM programs were launched.</p>	<p>Directly supports all of AAFC's Strategic Outcomes:</p> <p>SO1 – An environmentally sustainable sector</p> <p>SO2 – A competitive sector that proactively manages risk</p> <p>SO3 – An innovative sector</p> <p><i>Growing Forward</i> innovation programs fall primarily under Program Activity (PA) 3.1, Science, Innovation and Adoption. They accelerate the pace of innovation in the sector by providing support all along the innovation continuum – from discovery through marketplace.</p> <p>Progress towards a competitive sector was achieved through the work done under PA 2.3, Trade Market and Development.</p>
<p>Delivering on other Government of Canada Priorities</p> <p>A competitive agriculture and agri-food sector is important to the federal government. As such a number of key initiatives will complement <i>Growing Forward</i> in improving the competitiveness of the sector.</p>	Ongoing	<p>Met:</p> <p>Over 2009-10, AAFC supported sector competitiveness through ongoing investments in science and research to ensure that the sector has greater capacity to bring innovative products to market.</p> <p>AAFC will continue to put farmers first by exploring new and innovative ways to promote Canadian agricultural and agri-food products at home and abroad.</p> <p>AAFC supported the renewable fuels sector in Canada through the growth of ethanol and biodiesel use, and supporting farmer participation in the evolution of this sector.</p>	<p>Directly supports all of AAFC's Strategic Outcomes:</p> <p>SO1 – An environmentally sustainable sector</p> <p>SO2 – A competitive sector that proactively manages risk</p> <p>SO3 – An innovative sector</p> <p>For investments in science, AAFC continues to focus on the seven priorities identified in its <i>Science and Innovation Strategy</i>, which support each of its strategic outcomes.</p> <p>With significantly increased competitiveness in the international marketplace, efforts to diversify and to expand markets through initiatives and programs, such as bilateral and regional free-trade agreements, market access, research capacity, advocacy, resolution of trade disputes, and export promotion, are vital.</p> <p>The ecoAgriculture Biofuels Capital Initiative (ecoABC) program directly supports PA 3.1, Science, Innovation and Adoption. It is increasing farmer participation in the biofuels industry and contributing to the government's biofuels content target in transportation fuels. ecoABC works in coordination with Natural Resources Canada's ecoEnergy program.</p>

AAFC's management priority of delivering on management excellence supported achieving its strategic outcomes. During 2009-10, the Department continued to support government-wide priorities for public service renewal. It also applied a flexible, client-focussed approach to service delivery. In addition, it strengthened management and accountability and took steps to improve management practices. Additional information is provided in the following table.

Management Priorities	Type	Status	Linkages to Strategic Outcomes
<p>Delivering on management excellence</p> <p>AAFC was committed to delivering on management excellence to implement <i>Growing Forward</i> and other programs efficiently and effectively to best achieve results for Canadians.</p>	Ongoing	<p>Met:</p> <p>People Management</p> <p>Integrated planning helped AAFC set people management priorities and strategies to support business objectives. Its efforts to advance the Public Service renewal agenda were rated <i>strong</i> by Treasury Board Secretariat (TBS) in the 2009-10 Management Accountability Framework (MAF) assessment.</p> <p>Service Delivery</p> <p>Experience in co-ordinating <i>Growing Forward</i> programs and cost-shared activities was used to ensure efficient delivery of new policy and programs, including cost-shared components of the Agricultural Flexibility Fund (AgriFlexibility).</p> <p>Management and Accountability</p> <p>AAFC strengthened its management and accountability in managing for results, financial management and control, and the review of program spending. It improved management practices where opportunities were identified in the MAF assessment (see below), including strengthening internal audits.</p>	<p>Supports all of AAFC's Strategic Outcomes:</p> <p>SO1 – An environmentally sustainable sector</p> <p>SO2 – A competitive sector that proactively manages risk</p> <p>SO3 – An innovative sector</p> <p>Sound management practices, processes and systems, particularly in the areas of human resources and service delivery, were essential to AAFC's ability to deliver its programs and services and achieve its Strategic Outcomes efficiently and effectively.</p>

With regard to the MAF assessment for 2009-10, observations by TBS related to AAFC's management capacity were very positive. In total, for the 12 Areas of Management against which AAFC was assessed, the Department received five *Strong* ratings and seven *Acceptable* ratings. TBS also observed that, during the 2009-10 MAF period, AAFC continued to deliver a high level of policy and program activity, specifically, the implementation of new *Growing Forward* non-BRM programs and Budget 2009 (Canada's Economic Action Plan) initiatives, including the five-year, \$500 million Agricultural Flexibility Fund (AgriFlexibility). TBS noted that, "overall, the Department has been performing under a heavy workload, while maintaining focus on its management priorities."

Risk Analysis

Canada has a diverse and innovative agriculture, agri-food and agri-based product sector that continually adapts to an uncertain economic environment, business risks, and evolving consumer demands. Over 2009-10, AAFC delivered *Growing Forward* initiatives to help manage risks facing Canadian producers. These included environmental programs to safeguard and enhance the resource base, as well as to help farmers better manage environmental risks on individual operations. The current suite of BRM programs provided farmers with the stability required to effectively manage their operations. *Growing Forward* investments in support of innovation helped to build longer-term approaches to mitigating risks.

While significant progress was made in 2009-10 to provide stability for the sector, several risk factors remain that could affect Canada's competitive position over the coming years. These challenges include: volatility in the value of the Canadian dollar; upward cost pressures for inputs including feed, fertilizer, fuel and energy; continued international competition from lower-cost producers of bulk commodities; evolving consumer demands for healthy and environmentally sustainable food; emergence of global retailers with private certification standards; and regulatory barriers to accessing some export markets.

To provide relevant and effective support to the sector in light of these challenges, AAFC adapted its tools and services through 2009-10 as needed. This included responding to extraordinary challenges, such as those facing Canada's hog sector (a strong Canadian currency, record-high feed prices, circo-virus disease, rising energy costs and low pork prices around the world, along with the outbreak of the H1N1 influenza in the spring of 2009 resulted in continuing depressed hog prices), as well as working to ensure access to existing markets and to gain access to new ones for Canadian producers, processors and retailers. AAFC worked with its portfolio partners, other federal departments, and provincial and territorial governments to address broader challenges that impact the competitiveness and prosperity of the sector.

AAFC identifies key internal and external risks and opportunities to inform priority-setting and integrated business planning. As a result, risk-based resource allocation and risk mitigation strategies are implemented to decrease risks and foster the pursuit of opportunities in support of the achievement of the departmental strategic outcomes.

AAFC updates its Corporate Risk Profile and monitors mitigation activities regularly to address the highest-level risks that could impede achievement of departmental strategic outcomes. The following chart provides descriptions of significant risks identified in the 2008-10 Corporate Risk Profile, and summarizes the status of those risks and progress on corresponding mitigation strategies. In 2009-10, key risks were sufficiently mitigated to avoid impacts on the achievement of results.

Risk*	Status of Risk and Mitigation Strategies
<p>Catastrophic Crisis</p> <p>A large-scale event could present a severe risk to the sector and/or Canadians at large.</p>	<p>Mitigation activities advanced effectively. H1N1 influenza was a catalyst to accelerate provincial engagement and industry pandemic planning activities. AAFC met regularly with its federal partners, industry stakeholders, and provincial counterparts; activities are co-ordinated across the agri-food portfolio to ensure that all agencies are involved in emergency management for the sector.</p>
<p>Information Management</p> <p>Compromised information, information management, or information systems could hinder the Department's ability to make effective policy and program decisions, and subsequently affect reporting.</p>	<p>Mitigation activities advanced satisfactorily. Accomplishments included:</p> <ul style="list-style-type: none"> • department-wide training on Access to Information and Privacy; • department-wide implementation of electronic document and records management solutions, fully integrated into Business Continuity Plans; and • implementation of sophisticated search solutions to support information retrieval.
<p>Program Delivery</p> <p>Managing complex programs in a shared jurisdiction such as agriculture, with a multiplicity of service delivery points and multiple responsibility centres, presents challenges to AAFC in maintaining consistent service standards and uniform access to programming.</p>	<p>Significant progress in this area was made. Key mitigation work undertaken included:</p> <ul style="list-style-type: none"> • the launch of the Centre of Program Excellence to support the new Transfer Payment Policy and improve the design and delivery of Grant and Contribution programming; • communication and consultation with clients to inform future policy and program design; and • strengthened business partnerships to ensure transparency and efficacy of Grant and Contribution programming.
<p>Infrastructure</p> <p>Aging infrastructure and assets could impair AAFC's significant moveable assets and physical infrastructure holdings, impeding achievement of strategic outcomes.</p>	<p>Mitigation activities have progressed effectively. AAFC is a large custodian of buildings; 2,360 buildings, 972,879 hectares of land and equipment. It has 19 major research centres, 37 research stations and 33 dams. The challenge of managing aging assets while investing in new infrastructure within available resources continues. To address this, infrastructure investments focus on safety, security and operational and regulatory compliance deficiencies in existing major capital assets, and meeting essential information management and technology requirements, while investing in new facilities or major upgrades that help achieve its goals.</p> <p>In this regard, under Canada's Economic Action Plan, AAFC received \$25.9 million in funding to implement eight modernization projects in laboratories across the country in 2009-10 and 2010-11. One project was completed in the reporting period, and the remainder are on time and budget.</p>
<p>People Work Environment</p> <p>AAFC's capacity to maintain a talented, principled and representative workforce in an environment that is fair, ethical, supportive, and safe could impact on strategic outcomes.</p>	<p>AAFC's integrated business-human resource planning process is well-established. AAFC continued to advance its continuous learning policy and integrate the principles of diversity. The Department also invested in data management tools, service and systems to simplify HR processes.</p>
<p>Systems/Technology Sufficiency</p> <p>Evolving business priorities and processes may not be adequately supported if applications investments are not made in a strategic manner.</p>	<p>Mitigation activities have progressed effectively. The integrated business-information technology (IT) planning process supported strategic business outcomes. Successes include the <i>Service Excellence</i> initiative that will be used as an enterprise standard for Information Management and IT project delivery. Substantial progress has also been made with the consolidation of IT infrastructure in the National Capital Region.</p>

* Shown in order of priority from highest to lowest.

Work in 2009-10 set the stage for further progress in 2010-11 on a risk-smart management culture, including risk training to support organization-wide approaches to managing risks and opportunities.

Expenditure Profile

AAFC departmental spending varies from year to year in response to the circumstances in the agriculture, agri-food and agri-based products sector in any given period. Programming within AAFC is in direct response to industry and economic factors which necessitate support to this vital part of the economy. Much of AAFC's programming is statutory (i.e. for programs approved by Parliament through enabling legislation) and the associated payments fluctuate according to the demands and requirements of the sector.

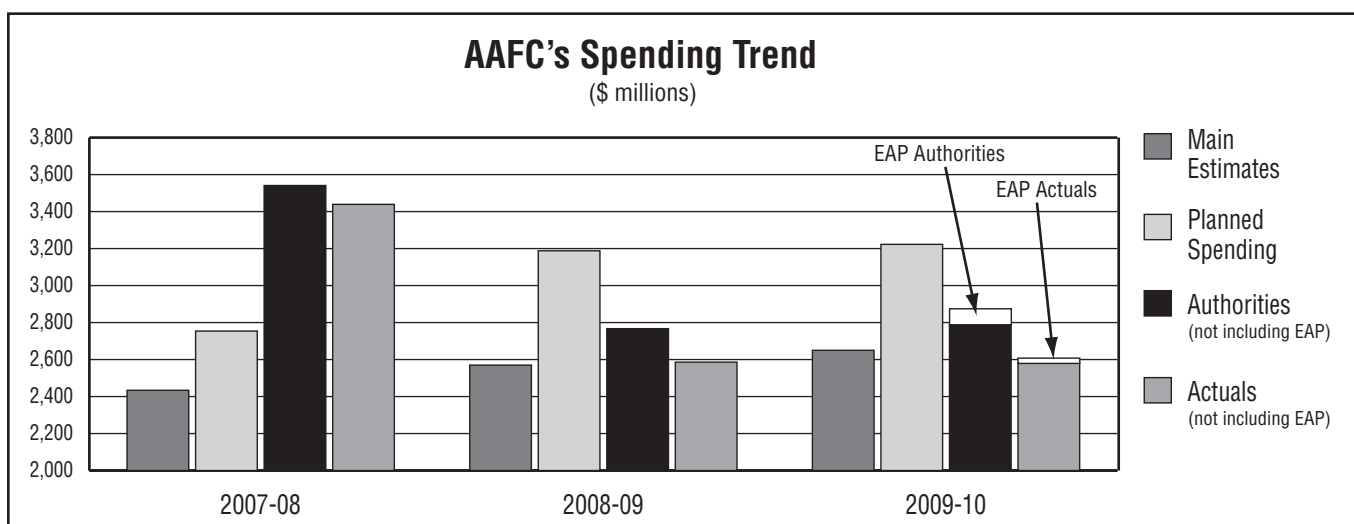
Canada's Economic Action Plan

AAFC's spending plans were augmented through initiatives under Canada's Economic Action Plan (EAP) that recognize the industry as a significant contributor to the Canadian economy. Almost \$94 million in EAP funding was provided to AAFC in 2009-10 to support the capture of new market opportunities, to enhance processing of food domestically, to help farmers manage costs, to improve program delivery to farmers, and to support infrastructure.

Progress has been achieved on the EAP initiatives in support of Canada's farm and agricultural businesses. In implementing these investments, AAFC has ensured that they are complementary to *Growing Forward* programs. Detailed information regarding EAP initiatives can be found in Section II.

Departmental Spending Trend

The figure below illustrates AAFC's trend in Main Estimates, planned spending, authorities and actual spending from 2007-08 to 2009-10.



Notes:

- 1 Main Estimates figures are as reported in the Main Estimates for each respective year.
- 2 Planned spending reflects funds already brought into the Department's reference levels as well as funding approved in the government fiscal plan, but yet to be brought into the Department's reference levels, at the time of the respective Report on Plans and Priorities. Planned spending did not reflect Budget 2007, 2008 or 2009 information (such as Strategic Review efficiency savings as well as new funding for AgriFlexibility and the Slaughter Improvement Program in Budget 2009). These adjustments were subsequently made and reflected in total authorities.
- 3 Total authorities reflect Main Estimates plus adjustments comprised of: Supplementary Estimates and allotment transfers, adjustments to statutory amounts to equal actual spending, and internal adjustments and transfers, as reported in Public Accounts.
- 4 Actual spending represents the actual expenditures incurred during each respective fiscal year, as reported in Public Accounts. In certain cases where authorized amounts are unspent, they can be reprofiled for use in future years.
- 5 Main Estimates, planned spending, total authorities and total actuals all exclude services received without charge.

Over the three-year period 2007-08 to 2009-10, actual, planned and authorized spending varied from a low of \$2.6 billion in 2008-09 to a high of \$3.5 billion in 2007-08.

AAFC's total authorities and total actuals in 2007-08 were relatively higher than other years primarily as a result of the Budget 2007 funding of \$1 billion for the Cost of Production and AgriInvest Kickstart programs (one-year programs).

Following the delivery of these one-year programs in 2007-08, authorities and actual spending for 2008-09 and 2009-10 returned to levels generally required to support the industry. In addition, they reflect a reduction in the requirement for Business Risk Management program funding as a result of a strong rise in crop receipts, mainly in the grains and oilseeds sector, over 2007.

The authorities in 2009-10 included funding provided to the pork industry to support an orderly transition of this sector in view of new market challenges, as well as investments under Canada's Economic Action Plan to assist in the recovery from the global economic recession. They also reflect reductions due to Strategic Review efficiency savings.

Actual spending for 2009-10 is lower than authorities as the result of several factors including the timing of the start-up of some programs. However, the majority of the unspent funding is expected to be carried forward for use in future years.

Voted and Statutory Items

(\$ millions)

Vote # or Statutory Item (\$)	Truncated Vote or Statutory Wording	2007-08	2008-09	2009-10	
		Actual Spending	Actual Spending	Main Estimates ¹	Actual Spending ²
1	Operating Expenditures	683.8	694.5	657.9	715.3
5	Capital Expenditures	32.5	30.3	34.0	56.6
10	Grants and Contributions	614.0	590.4	417.0	292.7
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 \$1,500,000,000 payable in respect of cash advances provided by producer organizations, the Canadian Wheat Board and other lenders under the Spring Credit Advance Program 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 Canada for the purpose of the renewed (2003) National Biomass Ethanol Program.	-	-	0.0	-
22	Canadian Pari-Mutuel Agency – program expenditures	-	-	-	0.5
(S)	Contributions payments for the AgriInsurance Program	-	548.3	440.6	502.9
(S)	Contribution payments for the AgriStability Program	-	340.5	369.2	419.5
(S)	Contributions in support of the Assistance to the Pork Industry Initiative	-	-	-	285.8
(S)	Grant payments for the AgriInvest Program	165.6	175.7	139.4	113.6
(S)	Grant payments for the AgriStability Program	-	-	225.1	105.2
(S)	Contributions to employee benefit plans	74.7	74.9	63.7	82.5
(S)	Payments in connection with the <i>Agricultural Marketing Programs Act</i>	44.1	37.0	165.0	28.5
(S)	Contribution payments for the AgriInvest Program	1.7	17.7	20.1	26.7
(S)	Canadian Cattlemen's Association Legacy Fund	7.0	7.0	5.0	10.0
(S)	Spending of proceeds from the disposal of surplus Crown assets	3.5	4.0	-	3.6
(S)	Grant payments for the Agricultural Disaster Relief Program – AgriRecovery	0.1	1.0	54.2	3.2
(S)	Loan guarantees under the <i>Canadian Agriculture Loans Act</i> – CALA (formerly called <i>Farm Improvement and Marketing Cooperatives Loans Act</i> – FIMCLA)	0.7	0.0	4.0	2.0
(S)	Canadian Pari-Mutuel Agency revolving fund	(0.9)	(0.8)	(0.0)	0.2
(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	0.0	0.0	-	0.0
(S)	Collection agency fees	0.0	0.0	-	0.0
(S)	Class grant payments for the Farm Income Payment	(1.0)	(0.3)	-	(0.0)

(\$ millions)

Vote # or Statutory Item (\$)	Truncated Vote or Statutory Wording	2007-08	2008-09	2009-10	
		Actual Spending	Actual Spending	Main Estimates ¹	Actual Spending ²
(S)	Class grant payments for the Transitional Industry Support Program	(0.2)	(0.3)	-	(0.0)
(S)	Contributions in support of the Grain and Oilseed Payment Program	-	-	-	(0.1)
(S)	Grant payments for the Canadian Agricultural Income Stabilization Program Inventory Transition Initiative	(0.7)	8.4	-	(0.1)
(S)	Grants in support of the Grain and Oilseed Payment Program	(0.0)	(2.1)	-	(0.3)
(S)	Contributions in support of Business Risk Management Programs under the Agricultural Policy Framework province-based programs	(0.0)	(6.9)	-	(0.3)
(S)	Grants in support of the Cost of Production Benefit	353.5	8.7	-	(1.3)
(S)	Contributions for agricultural risk management Spring Credit Advance Program Business Risk Management	8.9	(1.9)	-	(2.1)
(S)	Contribution payments for the Agricultural Disaster Relief Program / AgriRecovery	-	55.4	54.2	(9.1)
(S)	Grant payments for the AgriInvest Kickstart Program	484.4	(9.1)	-	(12.5)
(S)	Grants in support of the Cull Breeding Swine Program	38.0	12.0	-	(17.9)
(S)	Contributions payments for the Canadian Agricultural Income Stabilization Program Inventory Transition Initiative	-	3.7	-	-
(S)	Contributions in Support of Business Risk Management Programs under the Agricultural Policy Framework – Agriculture Policy Initiatives	4.7	0.0	-	-
(S)	Grants to agencies established under the <i>Farm Products Agencies Act</i>	-	-	0.2	-
(S)	Contributions in support of Business Risk Management Programs under the Agricultural Policy Framework – Production Insurance	416.4	-	-	-
(S)	Contributions in support of Business Risk Management Programs under the Agricultural Policy Framework – Canadian Agricultural Income Stabilization Program	377.3	-	-	-
(S)	Contribution payments for the AgriInvest Kickstart Program	95.8	-	-	-
(S)	Grant payments for the drought assistance package for livestock producers	4.4	-	-	-
(S)	Grant payments for the Golden Nematode Disaster Program	0.5	-	-	-
(S)	Contributions in support of the Cost of Production Benefit	44.7	(0.0)	-	-
(S)	Contributions to a transition to future risk management programming	(0.3)	(0.0)	-	-
(S)	Class contribution payments for repositioning of the Canadian beef and cattle industry	(8.9)	(0.0)	-	-
(S)	Class contribution payments for the Transitional Industry Support Program	(0.1)	(0.1)	-	-
(S)	Class contribution payments for the Farm Income Payment	(4.7)	(0.2)	-	-
(S)	Bovine Spongiform Encephalopathy Recovery Program	(1.0)	(2.1)	-	-
TOTAL DEPARTMENT		3,438.8	2,585.7	2,649.6	2,605.2

¹ Main Estimates figures are as reported in the 2009-10 Main Estimates.

² Actual figures represent the actual expenditures incurred during the 2009-10 fiscal year, as reported in the 2009-10 Public Accounts. In certain cases, where authorized amounts are unspent, they can be reprofiled for use in future years.

The figures have been rounded. 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.

Analysis of Program Activities by Strategic Outcome

This section describes AAFC's Program Activities by Strategic Outcome and identifies the Expected Results, Performance Indicators and Targets for each of them. The section also describes the Department's progress in meeting the Expected Results and presents the financial and human resources that were dedicated to each Program Activity. Planned FTEs (Full-time Equivalents) may differ by Program Activity from the 2009-10 RPP primarily due to enhancements made to the FTE forecasting tool during 2009-10. AAFC's performance on Canada's Economic Action Plan (EAP) initiatives is also included in this section.

Strategic Outcome 1 – An environmentally sustainable agriculture, agri-food and agri-based products sector

AAFC supports an economically and environmentally sustainable agriculture, agri-food and agri-based products sector that ensures proper management of available natural resources and adaptability to changing environmental conditions. Addressing key environmental challenges in Canada, including agriculture's impact on water quality and water use, adaptation to the impact of climate change, mitigation of agriculture's greenhouse gas emissions and the exploration of new economic opportunities, will contribute to a cleaner environment and healthier living conditions for the Canadian public, while enabling the sector to become more profitable.

This Strategic Outcome comprises the following Program Activities, which are described in the subsequent discussion of Performance Analysis, Lessons Learned and Benefits to Canadians.

Program Activities	
1.1 Environmental Knowledge, Technology, Information, and Measurement	1.2 On-Farm Action

Program Activity 1.1 – Environmental Knowledge, Technology, Information, and Measurement

Program Activity Summary

AAFC supports the sector through initiatives that enable it to use a more systematic management approach to decision-making with respect to environmental risks and help identify suitable corrective actions. The Department conducts basic and applied research to improve scientific understanding of agriculture's interactions with the environment on the key environmental challenges facing Canada and its regions; develops sustainable agricultural practices and validates environmental and economic performance at the farm level; and develops, enhances and

uses agri-environmental indicators, greenhouse gas accounting systems and economic indicators to assess the sector's environmental and economic sustainability. This program provides the platform for innovation and discovery of technologies and strategies which are used as the basis for application by the sector to improve its agri-environmental performance.

Environmental Knowledge, Technology, Information, and Measurement					
2009-10 Financial Resources (\$ millions – net ¹)			2009-10 Human Resources (FTEs ²)		
Planned Spending	Total Authorities	Actual Spending	Planned	Actual	Difference
58.8	66.4	92.9	699	686	(13)

¹ Differences in financial resources are largely due to planned spending reflecting *Growing Forward* projections which were subsequently finalized during the year, resulting in a realignment among Program Activity authorities and spending.

² Full-time Equivalents

Expected Results	Performance Indicators	Targets	Performance Status	Performance Summary
Enhanced capacity by the agriculture and agri-food industry to encourage sound environmental decision-making in government and in industry	Level of results from AAFC activities available for policy and programming decision-making	<ol style="list-style-type: none"> 1. Establish baseline value 2. Determine increase in availability 	Met All Baseline value was established using data from 2006 Farm Environmental Management Survey. As the baseline value has now been determined, the performance indicator will be modified in future years to reflect Expected Results	Through ongoing discovery and applied science, and the enhancement of measurement tools, AAFC continues to provide key expertise and information to enhance environmental decision-making

Performance Analysis

AAFC supported sector decision-making through science-based policies and programs that improve the understanding of challenges and opportunities. AAFC's expertise ranges from basic science to applied research and technical transfer, as well as measurement and reporting for priority setting. On-farm environmental risk plans were key means by which the sector incorporated environmental considerations into decision-making.

Important environmental research priorities identified in AAFC's *Science and Innovation Strategy* include improved understanding of the interactions between agriculture and the environment, and a focus on cross-cutting issues such as water and climate change mitigation. For more information about AAFC's research in support of the environment, visit www.agr.gc.ca/scienceandinnovation.

AAFC's work on agri-environmental indicators provided the means to assess environmental performance in soil, water, and air quality, as well as biodiversity. With scientifically quantified information acquired on both positive and deteriorating trends, applied research supported appropriate beneficial management practices to address emerging areas for action by the sector.

Lessons Learned

The target of establishing a baseline value for the Program Activity was met using data from the 2006 *Farm Environmental Management Survey*. With this accomplished, the performance indicator will be modified and used in future reports to assess progress against the Expected Result.

Benefits for Canadians

In recent Speeches from the Throne, the Government of Canada placed strong emphasis on the environment, linking economic prosperity to a healthy environment. Sound progress on environmental issues is not possible without a healthy economy. The importance of addressing the critical issues of climate change and water has been a recurring theme, and AAFC's science is a critical cornerstone to achieving progress in these areas.

Did you know?

AAFC, in partnership with farmers and experts – including university professors, graduate students, and conservation groups – is studying nine natural watersheds across Canada. These “living laboratories” represent typical farm operations and are situated in areas with unique agri-environmental issues. The Watershed Evaluation of Beneficial Management Practices study will help determine which practices have the most positive impact on the land, the water, and farming operations. For more information, visit www.agr.gc.ca/webs.

Program Activity 1.2 – On-Farm Action

Program Activity Summary

AAFC supports farmers through direct on-farm programming that identifies environmental risks and opportunities and promotes the continuous growth of stewardship within the agriculture and agri-food industry. This includes support for assessing agri-environmental risks and developing plans; providing expertise, information and incentives to increase the adoption of sustainable agriculture practices at the farm and landscape levels; investigating and developing new approaches that encourage and support the adoption of sustainable agriculture practices; and increasing the recognition of the value of sustainable agriculture practices.

This program activity supports environmental stewardship and helps reduce the sector's overall impact on the environment. It contributes to a cleaner environment and healthier living conditions for Canadians, and a more profitable agriculture sector.

On-Farm Action					
2009-10 Financial Resources (\$ millions – net ¹)			2009-10 Human Resources (FTEs ²)		
Planned Spending	Total Authorities	Actual Spending	Planned	Actual	Difference
121.7	146.8	85.0	399	392	(7)

¹ Differences in financial resources are largely due to planned spending reflecting *Growing Forward* projections which were subsequently finalized during the year, resulting in a realignment among Program Activity authorities and spending. The complexity of proposals from industry and timing of program implementation resulted in lower expenditures than authorized in the 2009-10 fiscal year. A large part of this unspent funding is expected to be carried forward for use in future years.

² Full-time Equivalents

Expected Results	Performance Indicators	Targets	Performance Status	Performance Summary
Improved agri-environmental risk assessment and planning by agricultural producers	Increase in levels of beneficial management practice (BMP) adoption addressing priorities across Canada	10% increase from previous program baselines by Mar 31, 2013	Met All (in terms of progress during the reporting period towards future target)	While the target is established for 2013, achievements indicate progress is being made. Of those producers that have completed a risk assessment, almost all have implemented a BMP. AAFC in collaboration with partners, continued to refine and develop new practices

Performance Analysis

Upon completion of a risk assessment outlining potential on-farm environmental issues, producers can access funding to implement beneficial management practices (BMPs). Two key programs were critical to this approach: Agri-Environmental Risk Assessment Implementation and Technical Assistance. Through this programming, AAFC helped accelerate adoption of BMPs by providing science-based information and experience through partnered projects (e.g. studies related to agricultural water shortages and climate change adaptation; alternative cropping systems; and water supply projects). Initiatives also included on-farm demonstrations and information that supported industry projects and enabled producers and groups to address existing and emerging national or regional agri-environmental issues.

Since the inception of this federal/provincial/territorial programming in 2003-04, adoption rates of BMPs have been steadily climbing. Specifically, nearly all of those who undertake a risk assessment go on to implement a BMP, demonstrating that the process leads to concrete action. In addition, BMPs are continually refined to ensure that the best, most timely practices are available to provinces and therefore producers.

Lessons Learned

Addressing agri-environmental challenges and opportunities requires local knowledge. In this regard, provinces and territories must be included as key partners. In some cases, the adoption of a particular management practice can achieve dual or multiple goals, including enhanced profitability for producers and positive environmental change. Conservation tillage is a prime example where these twin successes can be achieved.

The initial target of a 10% increase in the adoption of BMPs, based solely on data received from the cost-shared portion of the programming, was reported in the 2009-10 Report on Plans and Priorities. For future years, a new indicator and target will be used to better reflect all programming in this area.

Benefits for Canadians

Through the adoption of sound management practices, farmers will continue to work to improve the long-term sustainability of farm operations, while addressing key environmental issues of concern to Canadians.

Strategic Outcome 2 – A competitive agriculture, agri-food and agri-based products sector that proactively manages risk

Canada's capacity to produce, process and distribute safe, healthy and viable agriculture, agri-food and agri-based products depends on its ability to proactively manage and minimize risks and to expand domestic and global markets for the sector by meeting and exceeding consumer demands and expectations. Proactive risk management to ensure food safety, market development and responsiveness, and improved regulatory processes will contribute directly to the economic stability and prosperity of the sector and provide greater security for the Canadian public regarding the sector.

This Strategic Outcome comprises the following Program Activities, which are described in the subsequent discussion of Performance Analysis, Lessons Learned and Benefits to Canadians.

Program Activities				
2.1 Business Risk Management	2.2 Food Safety and Biosecurity Risk Management Systems	2.3 Trade and Market Development	2.4 Regulatory Efficiency Facilitation	2.5 Farm Products Council of Canada

Program Activity 2.1 – Business Risk Management

Program Activity Summary

AAFC has a comprehensive business risk management program to better equip producers with the tools and capacity to manage business risks. This program provides coverage for small income declines, margin-based support for larger income losses, a disaster relief framework for rapid assistance to producers and production insurance to protect farmers against production losses due to uncontrollable natural hazards. In addition, assistance to producers through the provision of Financial Guarantees facilitates the marketing of producers' products when market conditions and prices may be more favourable.

Business Risk Management					
2009-10 Financial Resources (\$ millions – net ¹)			2009-10 Human Resources (FTEs ²)		
Planned Spending	Total Authorities	Actual Spending	Planned	Actual	Difference
2,088.3	1,558.6	1,508.2	729	714	(15)

¹ The reduced requirement for Business Risk Management program funding is as a result of a strong rise in crop receipts, mainly in the grains and oilseeds sector.

² Full-time Equivalents

Expected Results	Performance Indicators	Targets	Performance Status	Performance Summary
Reduce producers' income losses through participation in business risk management programs	Current year producers' net market income (NMI) plus BRM payments compared to the previous five-year average NMI (plus BRM payments) for the sector	85% of the previous five-year average NMI (plus BRM payments)	Exceeded	NMI plus BRM program payments represented 99% of the previous five-year average NMI plus BRM payments

Performance Analysis

BRM programs under *Growing Forward* are comprised of AgriInvest, AgriStability, AgriInsurance, and the AgriRecovery framework. These programs were designed to reduce producers' income loss, help the industry become more proactive in managing risks, and to be more responsive, predictable, and bankable while also providing greater flexibility. For more information, visit www.agr.gc.ca/brm.

This suite of BRM programs and other BRM-related payments helped stabilize producers' income at very close to the five-year average historical level (at 99%, exceeding the 85% target). This result is based on the latest year for which final tax data is available, the 2007 tax year.

Other key performance measures that have been developed for each BRM program as part of the new performance measurement framework under *Growing Forward* indicate:

- AgriStability payments contributed to improve producers' current year margin from about 39% of the reference margin to about 72% in 2007-08 (*Target: 65%*).
- Participation in AgriInvest reached over 70% of all Canadian producers in its first year (*Target: 65%*). About 60% of the participants withdrew some or all of the funds from their accounts, while 75% of the participants had a positive account balance at the end of 2007.
- AgriInsurance continued to be a key BRM program as it covered most commercially produced crops in all provinces (almost 90% of the value of all crops grown in Canada are insurable). In 2008-09, about 60% of the value of crops grown was insured (*Target: 60%*).
- Since the implementation of the AgriRecovery Framework under *Growing Forward*, the federal government has committed nearly \$78 million in funding under 14 initiatives which together with provincial funding helped producers affected by natural disasters in various regions across Canada. In 2009-10, nearly \$12 million in federal funding was committed under 7 initiatives to provide Canadian farmers with much needed disaster relief assistance. The above includes initiatives under the Agricultural Disaster Relief Program and the Plum Pox Eradication Program.

Lessons Learned

The Department continued to monitor performance to ensure the programs are meeting their objectives, and determine if changes are required. This was achieved through the new Performance Measurement Framework in place for BRM programming.

In addition, more information on the performance of BRM programs will come from the national BRM Performance Indicators Survey. This survey collected information directly from producers on their risk management approaches and their views on the effectiveness of BRM programs in managing financial risk, as well as the extent to which the BRM programs are timely, responsive, predictable, and bankable. The survey will help the Department make informed decisions on any future program changes and provide a baseline to measure improvements to BRM programming.

The 2007 *Producer Client Service Delivery Satisfaction Survey* (www.agr.gc.ca/satisfaction-survey) and 2009 *BRM Client Service Delivery Satisfaction Survey* identified several service delivery improvement priorities. These included: improved timeliness; simplification of processes for clients; increased client access; increased accuracy and consistency; and increased awareness of producers' needs.

AAFC has developed service standards for improved timelines, one of the identified service delivery satisfaction priorities. AAFC set an objective to have published service standards by April 2010 for 75% of programs and services delivered directly to external clients. This objective has been accomplished.

Benefits for Canadians

BRM programs helped ensure the long-term stability and competitive position of the industry by enhancing farmers' capacity to manage financial risks. This was achieved by stabilizing producer incomes derived from their operations and improving preparedness to respond to, mitigate and recover from production risks. In addition, BRM programs helped reduce the economic impact of disasters and provided for adjustments and recovery after such disasters. By effectively managing risks, producers are able to focus on seeking out new opportunities to produce safe and innovative food and non-food products for consumers at home and around the world.

Program Activity 2.2 – Food Safety and Biosecurity Risk Management Systems

Program Activity Summary

AAFC supports producers and organizations in establishing food safety, biosecurity and traceability risk management systems to prevent and control risks to the animal and plant resource base, thus strengthening the sector against widespread diseases and losses in domestic and foreign markets.

The risk management systems are national, government-recognized, on-farm and/or post-farm Hazard Analysis of Critical Control Points (HACCP) or HACCP-based food safety systems, National Biosecurity Systems and a National Agriculture and Food Traceability System. These systems also support emergency management to limit the spread of animal and plant diseases, thereby reducing the economic, environmental and social impacts of a crisis.

Food Safety and Biosecurity Risk Management Systems					
2009-10 Financial Resources (\$ millions – net ¹)			2009-10 Human Resources (FTEs ²)		
Planned Spending	Total Authorities	Actual Spending	Planned	Actual	Difference
140.6	126.2	98.1	349	343	(6)

¹ Differences in financial resources are largely due to planned spending reflecting *Growing Forward* projections which were subsequently finalized during the year, resulting in a realignment among Program Activity authorities and spending. A substantial portion of the funding under this Program Activity is application-based and spending levels reflect participant demand for the current year with increased spending projected in outer years of the multi-year programs. A large part of this unspent funding is expected to be carried forward for use in future years.

² Full-time Equivalents

Expected Results	Performance Indicators	Targets	Performance Status	Performance Summary
Maintain and improve confidence in the safety of the food system and ensure greater market access for Canadian agricultural products	Percentage of producers reporting adoption of food safety practices	55% of survey respondents by Mar 31, 2010	Met All	59% of livestock, poultry and horticultural producers reported adopting food safety practices or participating in a HACCP-based food safety program

Performance Analysis

Analysis of results from the 2005 and 2008 *Farm Financial Surveys* (FFS) indicated that 59% of livestock, poultry and horticultural producers had adopted new food safety practices or participated in a HACCP-based, on-farm food safety program. The 2008 FFS showed that 39% of all eligible producers participated in HACCP-based programs that were developed for 11 commodities in the livestock, poultry and horticultural sectors. Horticultural programs were developed after 2005.

Comparing various commodities' participation rates to the percentage of the sales generated by producers in HACCP-based programs shows that food safety programs are being adopted and have an influence in the market place, as follows:

In the livestock sector, the 2008 FFS shows a dairy producer participation rate of 83%; these producers generated 87% of sector's sales; 77% of participating pork producers generated 92% of sales; and, 25% of beef producers generated 42% of sales.

In poultry, participation ranged from 57 to 88% for chicken, egg, hatching eggs, and turkey producers, representing total sector sales of over 95%.

In horticulture, 49% of participating potato producers generated 82% of sales; 42% of fruit and nut producers generated 55% of sales; 31% of vegetable and melon producers generated 68% of sales; and 24% of greenhouse production generated 39% of sales.

In general, these results show that the majority of agricultural products sold are produced by Canadian farmers who have adopted HACCP-based food safety systems.

From a science perspective, enhancing the security and protection of the food supply requires practical solutions that can be implemented by farmers and industry. Some innovative methods to prevent food-borne hazards included the use of natural controls and strategies; technologies to control toxins in foods and livestock feeds; novel ways to preserve safety, quality, and nutrition of processed and packaged foods; and the identification of food-borne bacteria and viruses that cause illness in humans and animals.

For example, genes providing resistance to Ug99, a highly virulent wheat stem rust race, were characterized and information has been shared with the science community. As another example, research was begun to assess the reaction of various canola lines to clubroot strains. Results from this work are being incorporated into a database that will form an essential component of the search for genetic resistance to the disease.

In 2009-10, AAFC started 20 projects under *Growing Forward's* Animal and Plant Health Research initiative. In one such project, researchers are looking for efficient alternatives to antibiotics used as growth promoters in livestock production.

The *National Animal and Plant Biosecurity Strategy* provides overall policy direction ensuring efforts are targeted at the highest possible biosecurity risks. The Federal-Provincial-Territorial Biosecurity Committee of Officials sets priorities by commodity sector for national farm-level biosecurity standards based on risks, sector readiness, and economic, health and regional implications. The Canadian Food Inspection Agency, through a Memorandum of Understanding with AAFC, is currently creating the national farm-level biosecurity standards based on the priority list, developed by the committee in 2009-10.

Lessons Learned

To better reflect On-Farm Food Safety in this Program Activity, the future performance measurement will be changed to focus on producers participating in HACCP-based on-farm food safety systems because the majority of the National Producer Organizations are developing HACCP-based on-farm food safety programs. This change towards measuring producer participation in HACCP-based programs is detailed in the following chart:

Expected Results	Performance Indicators	Targets
Increased safety of the food system	Percentage of producers participating in HACCP-based programs reporting adoption of food safety practices	45% by Mar 31, 2013

This revision will be reflected in future performance reporting.

Benefits for Canadians

Government-recognized and science-based food safety, biosecurity and traceability practices, tools and systems at the farm and agri-business level will help to prevent the spread of animal and plant diseases. This will mitigate or reduce the economic costs associated with responses to disease outbreaks, assured continued or enhanced market access for Canadian products, and allow the industry to better respond to increasing consumer demands for assurances of food safety. Scientific research in this area worked to ensure Canada's food supply is safe and free of toxins, pathogenic bacteria, viruses, fungal parasites, and chemical residues.

Did you know?

The AAFC-funded Food Safety Initiative helped participating provinces establish food safety management systems in non-federally registered plants. The Ontario government participated between 2005 and 2009; \$12.4 million was invested in 970 food processing plants. An increase in sales of \$65.4 million was attributed by participants to the food safety or traceability systems put in place which expanded their market reach and added new customers.

Program Activity 2.3 – Trade and Market Development

Program Activity Summary

AAFC acts as Canada's agricultural trade advocate, working to break down trade barriers at home and abroad and expand opportunities for the agriculture, agri-food and agri-based products sector. The Department assists the sector in identifying new domestic and global opportunities and ways to enhance productivity, competitiveness and prosperity. AAFC also works to distinguish Canadian products under Brand Canada International and the *Domestic Branding Strategy* to expand and deepen the sector's strengths in the marketplace.

Trade and Market Development					
2009-10 Financial Resources (\$ millions – net ¹)			2009-10 Human Resources (FTEs ²)		
Planned Spending	Total Authorities	Actual Spending	Planned	Actual	Difference
97.5	127.6	100.5	392	385	(7)

¹ Differences in financial resources are largely due to planned spending reflecting *Growing Forward* projections which were subsequently finalized during the year, resulting in a realignment among Program Activity authorities and spending. The complexity of proposals from industry and timing of program implementation resulted in lower expenditures than authorized in the 2009-10 fiscal year. A large part of this unspent funding is expected to be carried forward for use in future years.

² Full-time Equivalents

Expected Results	Performance Indicators	Targets	Performance Status	Performance Summary
A competitive sector that has the necessary attributes to strategically position itself to take advantage of new market opportunities, and/or to reposition itself to protect against changing market risks	Total growth in exports of agriculture, food and seafood products*	\$40 billion by Mar 31, 2013	Mostly Met (in terms of progress during the reporting period towards future target)	\$38.8 billion in the reporting period, a 9.4% decrease from 2008. High commodity prices in 2008 contributed to an unusually high export figure

* When the performance indicator was developed in 2008, it was thought that a 1997 base year should be used for deflating the growth in exports, which is reflected in the 2009-10 RPP. Since then, current year dollars have been adopted as a more meaningful basis for measuring and reporting performance.

Performance Analysis

In 2009, the value of Canadian agriculture, agri-food and seafood exports decreased by 9.4% from 2008. During the most severe global recession in half a century, commodity prices receded to 2007 levels after the extremely high levels recorded in 2008. This, along with the accompanying decline in demand, accounted for much of the reduction in Canadian agri-food and seafood exports in 2009. The appreciation of the Canadian currency also had an impact, although it may have been a less important factor.

Canada exported agri-food and seafood products to 199 countries in 2009. Among these, 40 countries received more than \$100 million of product. Canada's efforts to diversify export markets and reduce reliance on the U.S. led the percentage of total exports going to that country to decline from 55.3% in 2007 to 51.4% in 2009. Decreased livestock exports to the U.S. as a result of country-of-origin labelling, as well as the global economic decline, were also factors. The contributions by AAFC were very important in helping to stabilize exports and promote recovery within the sector.

AAFC continued to advance Canada's interest in multilateral and bilateral trade negotiations. The negotiations with the European Union, initiated in May 2009, progressed well, aiming to deliver an ambitious outcome in agriculture that could provide effective and real improvement in market access for Canadian farmers and exporters. In addition, the Department participated in free trade negotiations with Central America and the Caribbean and contributed to the conclusion of trade negotiations with Panama and to the initiation of exploratory discussions towards trade negotiations with Morocco, India and Ukraine. Although progress in the World Trade Organization (WTO) negotiations on agriculture has been limited, officials continued to engage other WTO members to address outstanding issues and explored ways to bring these negotiations to conclusion.

AAFC worked with government and industry partners to resolve market access issues. During 2009-10, further access for livestock and beef was achieved in Russia, Egypt, Colombia, Panama, and Trinidad and Tobago. The long-standing issue with Greece on access for Canadian wheat was also resolved.

The Market Access Secretariat (MAS), first announced in January 2009, has already proven its effectiveness in better coordinating the efforts of government and industry to gain or regain access to markets to increase sales of Canadian agricultural products (www.agr.gc.ca/mas). The MAS provides a rapid response to deal with market access urgencies, using a multi-disciplinary team approach that pulls together scientists, veterinarians, trade and marketing officers, and industry experts to resolve problems quickly. In this regard, in November 2009, when China gave notice that it was banning imports of Canadian canola, a MAS-led team was on the ground in China within 72 hours to negotiate a solution.

AAFC worked to promote science-based trade rules and to influence international standard-setting to provide a level playing field for Canadian exports. While the vast majority of Canadian exports flow to markets without problems, Canada has initiated formal trade challenges against specific measures and policies (for example, U.S. Country of Origin Labelling and Korea's bovine spongiform encephalopathy bans on beef) that are not science-based, to ensure that our country remains competitive.

By the end of 2009-10, all Value Chain Roundtables (VCRTs), namely roundtables for beef, food processing, grains innovation, horticulture, organics, pork, seafood, and special crops, had developed strategies and action plans to improve long-term competitiveness and profitability. VCRTs are industry-led forums that encourage producers and other stakeholders across the respective value chain to develop and take advantage of new opportunities, as well as foster industry-government collaboration. For more information, visit www.ats.agr.gc.ca/value_chain_roundtables/.

The AgriMarketing Program contributed to the success of the agriculture and food sector in 2009-10 by helping fund long-term international strategies for 51 industry exporter associations for market development, promotion, brand building, and industry-to-industry trade advocacy. For more detailed program information, visit www.agr.gc.ca/agrimarketing.

To support the global competitiveness of the agri-food sector, AAFC worked to increase export opportunities for small- and medium-sized enterprises. Initiatives in the areas of market intelligence and market preparation, awareness building and trade promotion yielded exponential returns for the sector.

Industry participation in the Canada Brand (www.brandcanada.agr.gc.ca) was expanded, leading to increased recognition of the brand, associated attributes and Canadian products in international markets. This helped Canada's agriculture and agri-food industry stand out from the competition and increase its competitiveness.

In addition, regional offices have undertaken both outreach and welcomed incoming missions in support of trade and market development.

Lessons Learned

With significantly increased competitiveness in the international marketplace, efforts to diversify and to expand international markets through initiatives and programs such as the negotiation of bilateral and regional free trade agreements, market access, research capacity, advocacy, resolution of trade disputes, and export promotion are vital.

Did you know?

With the world's eyes trained on Vancouver during the 2010 Winter Olympics last February, AAFC served breakfast to international media covering the games to give them a chance to experience the excellence and variety of Canada's agricultural food products that are exported around the world. At the Savour Canada breakfast, top Canadian chefs prepared distinct dishes featuring key Canadian export ingredients. Accolades for the food appeared in newspapers, blogs, and Web sites around the world, before, during and after the breakfast. A new Web portal, www.eatcanadian.ca, was launched at the same time to highlight the strengths of the Canada brand for food and the agriculture sector.

Benefits for Canadians

Reflecting the importance of this economic sector, in addition to generating \$153 billion in domestic sales in 2009, exports of agriculture, agri-food and seafood products reached \$38.8 billion. In fact, Canada was the fifth largest exporter of agri-food and seafood products in the world. These exports support a significant employment base in Canada, increase revenues from farm cash receipts, foster innovation, and contribute to a strong and competitive agri-food sector.

Program Activity 2.4 – Regulatory Efficiency Facilitation

Program Activity Summary

The Canadian agriculture and agri-food sector needs practical support and services for innovation and competitiveness within a science-based regulatory system. Industry engagement and knowledge transfer are needed to help industry focus its priorities, improve its understanding of the regulatory process, and improve the quality of health-claim, novel-food, and ingredient submissions. Science substantiation is needed to expedite the submissions process for products at the end of the innovation chain to fill knowledge gaps through targeted studies or data mining from within Canada and from other jurisdictions, make better use of reputable data from equivalent regulatory agencies, help define standards and approval criteria, and develop approval protocols.

Regulatory Efficiency Facilitation					
2009-10 Financial Resources (\$ millions – net ¹)			2009-10 Human Resources (FTEs ²)		
Planned Spending	Total Authorities	Actual Spending	Planned	Actual	Difference
37.9	26.1	12.5	50	49	(1)

¹ Differences in financial resources are largely due to planned spending reflecting *Growing Forward* projections which were subsequently finalized during the year, resulting in a realignment among Program Activity authorities and spending. In addition, total authorities have been reduced from planned as a result of transfers to other government departments for horizontal *Growing Forward* programs.

² Full-time Equivalents

Expected Results	Performance Indicators	Targets	Performance Status	Performance Summary
An enhanced regulatory environment which promotes sector innovation, investment and competitiveness	Parity with major competitors in regards to prioritized pesticides, health claims, novel foods and ingredients	10 by Mar 31, 2013 (refers to changes in the areas such as policies, and submissions that meet regulatory requirements)	Met All (in terms of progress during the reporting period towards future target)	While the target is established for 2013, sector-impact analysis indicated progress has been achieved towards improved regulatory policies Guidance provided to the sector helped priority setting and improved understanding of regulatory processes and requirements Data and information was generated for regulatory submissions Data and information was generated for development of pest risk-reduction tools

Performance Analysis

An enhanced regulatory environment that promotes sector innovation, investment and competitiveness requires commitments towards increasing the minor-use pesticides, reduced-risk pest management tools, health claims, novel foods, and ingredients that are permissible or available for use. Achieving these commitments is expected to lead to parity with competitors. Progress in this area was indicated by the number of regulatory areas (such as policies, and submissions that meet regulatory requirements) where changes occurred.

Commitments in the area of minor-use pesticides and pesticide risk reduction included: establishing a yearly national list of grower-selected pest management priority projects; generating data for regulatory submissions for new minor uses priority projects; improving pesticide resistance management; and improving crop protection practices. Achievements in these areas have led to increased availability of newer, reduced-risk pesticides, tools, technologies, and practices. This has, in turn, enhanced trade and improved Canada's competitive position in international markets. Performance for 2009-10 was on target. Key achievements included:

- 65 regulatory submissions, including 13 submissions for bio-pesticides, were made;
- four pesticide risk reduction strategies were developed; and
- assurance that pest management projects addressed grower priorities was enhanced.

The goal in the area of health claims, novel foods and ingredients is to accelerate the market entry of new food products and to advance innovation in the expanding category of *foods with added health benefits* (www.agr.gc.ca/health-claims-initiative). This is accomplished through industry engagement and knowledge transfer to stakeholders regarding the regulatory system, and through collaborative research partnerships to scientifically substantiate health benefits and new claims for innovative food products. Performance for 2009-10 was on target. Key achievements included:

- analyses of sector impacts of key regulatory issues were completed to inform the policy decision-making process;
- studies of health-claim evidence requirements of authoritative bodies in other jurisdictions were undertaken as a basis for a policy that would expedite the review of Canadian submissions; and
- increased industry and research-community understanding of regulatory processes and requirements was achieved through education projects and submission-specific guidance.

Lessons Learned

The current legislative requirement of a formal regulatory amendment for every new health claim and food additive imposes additional costs, thus limiting timeliness and responsiveness; interdepartmental and stakeholder collaboration are essential in the pursuit of options for addressing this issue.

To better reflect the performance objectives associated with this Program Activity, the reporting framework will benefit from an elaboration of the expected results, performance indicators and targets to make them more specific, as follows:

Expected Results	Performance Indicators	Targets
Increased minor-use pesticides, reduced-risk pest management tools, health claims, novel foods, and ingredients that are permissible or available for use	Number of regulatory policies that are changed to facilitate innovation in pest management, health claims, novel foods, and ingredients	5 by Mar 31, 2013
	Number of submissions for minor-use pesticides, health claims, novel foods, and ingredients that meet regulatory requirements	45 annually
	Number of reduced-risk pest management tools available for use	4 annually

These revisions will be reflected in future performance reporting.

Benefits for Canadians

Work conducted under the pest management program (www.agr.gc.ca/pestmanagement) improved crop protection practices and access to new reduced-risk technologies, tools, and practices, and minor uses of pest control products. This is leading to competitive parity of the Canadian agricultural and agri-food sector, preventing trade barriers with countries where these products are already available, and reducing risk to the environment and Canadians. Work in the area of health claims, novel foods and ingredients resulted in an enhanced sector ability to navigate the regulatory system, leading to new, innovative and safe food products and claims, focusing on health benefits.

Program Activity 2.5 – Farm Products Council of Canada

Program Activity Summary

Established through the *Farm Products Agencies Act*, the Farm Products Council of Canada (FPCC)* is a unique public interest oversight body which reports to Parliament through the Minister of Agriculture and Agri-Food. The Act provides for the creation of national marketing and promotion research agencies. The FPCC supervises these agencies and works with them to ensure that the supply management system for poultry and eggs and the check-off system for beef cattle work in the balanced interest of all stakeholders, from producers to consumers. The FPCC is also an active proponent of portfolio management by providing advice to the Minister and maintaining relationships with provincial governments.

* The name changed in the fall of 2009 from the National Farm Products Council.

Farm Products Council of Canada					
2009-10 Financial Resources (\$ millions – net)			2009-10 Human Resources (FTEs ¹)		
Planned Spending	Total Authorities	Actual Spending	Planned	Actual	Difference
2.7	3.2	3.0	24	24	0

¹ Full-time Equivalents

Expected Results	Performance Indicators	Targets	Performance Status	Performance Summary
The supply management system for poultry and eggs, as well as check-off system for beef cattle, works in the balanced interests of all stakeholders, from producers to consumers	Percentage market share: Producers maintain their relative share of the Canadian market for hatching eggs and chicks, chicken, turkey, and table eggs	Percentage market share remains above 80% throughout 2009-10	Met All	Chicken: 81.4% Eggs: 90.7% Hatching eggs: 83.1% Turkey: 95.4%
	Variations in consumer price indices for the regulated products are consistent with those of other unregulated agricultural products	Consumer price indices variations for regulated products remain within plus or minus 10% of those of unregulated agricultural products throughout 2009-10	Met All	All foods: 5.7% Chicken: 6.0% Eggs: 2.1% Turkey: 0.2% Note: because hatching eggs are not purchased by consumers, this indicator does not apply to that commodity

Performance Analysis

Throughout 2009, the domestic market share of Canadian producers of poultry and eggs remained above the 80% threshold. The market share of chicken producers remained stable at 81.4% while that of turkey producers increased from 95.2% to 95.4. The market share of hatching egg producers increased from 82.6% to 83.1 while that of egg producers decreased from 93.5% to 90.7.

Between January and December 2009, the Consumer Price Index (CPI) for all foods increased by 5.7%, while the CPI for chicken rose by 6.0%, eggs by 2.1% and turkey by 0.2. While the price of chicken rose faster than that of foods in general, the difference was within the 10% target range. Consumer egg prices rose at a rate slower than that of food in general, making table eggs comparatively more affordable. As well, consumer prices for turkey remained virtually unchanged, making it more affordable when compared to food in general.

Throughout 2009-10, FPCC continued to implement its 2009-12 strategic plan (http://www.fpcc-cpac.gc.ca/index.php?option=com_content&task=view&id=140&lang=english). With respect to progress in this regard, the Council reviewed its decision-making tools and processes with a view to ensuring that its decisions are consistent with the objectives of the Act. It also implemented new guidelines for reviewing requests from national marketing agencies as well as to address complaints.

Note: The sources for the performance indicators presented in this performance analysis are reports produced by Statistics Canada for Poultry and Egg Statistics and Consumer Price Indices.

Lessons Learned

Cooperation was at the heart of the supply management system that farmers built with federal and provincial authorities in the early seventies. As supply managed industries evolve and face new challenges, maintaining this cooperation and collaboration along the entire value chain continues to be crucial to the success of the system.

In recognition of the need for cooperation and collaboration, and in response to complaints received, a joint FPCC/industry Oversight Committee was established to ensure that industry-driven solutions were developed to ensure the efficient operation of the national chicken allocation system. In addition, cross-country consultations were organized with provincial commodity boards, provincial supervisory boards as well as producer and processor representatives to obtain grassroots input from industry stakeholders into the chicken allocation system and ways to allow it to continue to deliver results for stakeholders, from producers to consumers.

These actions and the final report of the Committee contributed to fostering dialogue and led to steps being taken to improve the national chicken allocation system and deal with other related issues.

Benefits for Canadians

The FPCC acts as a public interest oversight body which ensures that the supply management systems for poultry and eggs, as well as the check-off system for beef cattle, work in the balanced interest of stakeholders, from producers to consumers. The FPCC helps ensure Canadian consumers have access to high quality products, in sufficient quantities and at a reasonable price.

Strategic Outcome 3 – An innovative agriculture, agri-food and agri-based products sector

Sector innovation includes the development and commercialization of value-added agricultural-based products, knowledge-based production systems, processes and technologies, and equipping the sector with improved business and management skills and strategies to capture opportunities and to manage change. Such innovation is vital for ongoing growth and improvement in the productivity, profitability, competitiveness, and sustainability of Canada's agricultural, agri-food and agri-based products sector and its rural communities.

This Strategic Outcome comprises the following Program Activities, which are described in the subsequent discussion of Performance Analysis, Lessons Learned and Benefits to Canadians.

Program Activities			
3.1 Science, Innovation and Adoption	3.2 Agri-Business Development	3.3 Rural and Co-operatives Development	3.4 Canadian Pari-Mutuel Agency

Program Activity 3.1 – Science, Innovation and Adoption

Program Activity Summary

AAFC contributes to the competitiveness of the agriculture, agri-food and agri-based products sector by supporting innovation designed to improve profitability in new and existing products, services, processes and markets.

Co-ordinated and informed decision-making is supported with strategic foresight, research, and information sharing contributing to integrated planning, engaging industry, government and academia. Collaborative action is promoted to accelerate the flow of science and technology along the innovation continuum in support of industry-defined strategies for future success. Farmers, agri-entrepreneurs and agri-based small- and medium-sized enterprises are supported in their efforts to adopt new technologies and commercialize new products and services. Pathfinding and transformational research help to define future opportunities and prepare the sector for emerging opportunities and challenges.

Science, Innovation and Adoption					
2009-10 Financial Resources (\$ millions – net ¹)			2009-10 Human Resources (FTEs ²)		
Planned Spending	Total Authorities	Actual Spending	Planned	Actual	Difference
322.3	354.9	275.7	1,479	1,452	(27)

¹ The variance between total authorities and actual spending is mostly as a result of the multi-year nature of projects approved under the ecoAgriculture Biofuels Capital Initiative, with a large portion of the funding required in future years. Unspent funding is expected to be carried forward.

² Full-time Equivalents

Expected Results	Performance Indicators	Targets	Performance Status	Performance Summary
An agriculture and agri-food sector that utilizes science to transform commodities into new value-added or bio-product opportunities for processors, producers and rural communities and new life sciences products for consumers	Increase in agriculture net value-added ("value-added" is a Statistics Canada measure of Canadian value-added gross domestic product)	7% increase by Mar 31, 2014 from 2008 baseline	Met All (in terms of progress during the reporting period towards future target)	While the target is for 2014, achievements to date indicate progress toward target However, commodity prices experienced a boom in 2008 that was influenced by many factors, particularly the volatility of global markets. This effect complicates interpretation of the target indicator

Performance Analysis

In 2009-10, AAFC researchers continued to enhance knowledge and develop technology that helps the sector capture new business opportunities in emerging markets for food, feed, fibre, health and wellness, energy, and industrial products and ingredients. Research was also aimed at reducing reliance on chemical pest control products in response to public demand for environmentally friendly pesticides.

With the performance target for this Program Activity established for 2014, AAFC's stated *performance status* is based upon significant progress at the Sub-Activity level and below. Target indicator growth is based on the level of value added in 2008, the most recent year of available data. In 2008, Canadian agriculture net value added totalled \$15.5 billion. However, the grains sector did especially well in 2008, which drove the value of production well above average. The 2004-08 average was \$10.9 billion.

Wealth creation generated by this activity over a 10-year period contributed to \$400 million in industry benefits and over \$1 billion in certified seed sales. Royalties received by AAFC for plant varieties and other technologies were \$5.6 million during the reporting period and \$26.6 million over the past five years.

Under the Canadian Agri-Innovations Program announced May 29, 2009, seven Developing Innovative Agri-Products projects (www.agr.gc.ca/agri-products), began that will accelerate the flow of science and technology along the innovation continuum, supporting industry-defined priorities. Also, four new Canadian Agri-Science Clusters (www.agr.gc.ca/agriscience-clusters) were formed, bringing together public and private sector researchers to share resources and take advantage of synergies.

Under the Agricultural Bioproducts Innovation Program (www.agr.gc.ca/abip), new near-market products, new industrial partnerships and emerging upstream transformative technologies were being developed, including second-generation biofuels using cellulosic and oilseed materials.

The Agri-Opportunities Program, a five-year, \$94 million program launched in 2007, accelerates the commercialisation of new and innovative agricultural, agri-food and agri-based products, services and processes. By the end of March 2010, Agri-Opportunities had a total of 25 contribution agreements signed; contributions in 2009-10 alone were in excess of \$10 million.

The Government of Canada supports the developing domestic renewable fuels industry through its integrated federal renewable fuels strategy. As part of this strategy, the ecoAgriculture Biofuel Capital Initiative (www.agr.gc.ca/ecoabc) is aiming to increase farmer participation in the biofuels industry by providing repayable contributions to biofuels facilities of up to 25% of eligible costs. The recent economic downturn negatively affected program performance through the withdrawal of investment capital from the market.

Lessons Learned

To address future concerns and opportunities for the sector, and as part of the *Growing Forward* policy framework, AAFC is exploring the use of *Foresight*, a set of tools and practices used to examine possible future scenarios and their implications. This would assist stakeholders to address future challenges and better position the sector strategically to take advantage of anticipated opportunities.

Further, assessing performance from this Program Activity's indicator is going to be sensitive to market swings. Future refinements or revisions will be considered.

Benefits for Canadians

AAFC worked to accelerate the pace of innovation. It helped Canada's agricultural and agri-food industry adopt new technologies to enhance its competitiveness, while providing Canadians and global markets with new products. For example, an innovative feeding practice for milk production under study by AAFC researchers could yield significant economic and health benefits. Studies on optimal dietary flax levels and feeding schedules could allow dairy producers to modify cows' diets to respond to increased market demand for value-added milk products with health and nutritional benefits.

Did you know?

AAFC scientists are researching flaxseed and its health benefits. Flaxseed contains an antioxidant that scavenges for certain free radicals produced by the human body as it converts fats, proteins, alcohol, and some types of carbohydrates into energy. Although humans can consume flaxseed directly, scientists have discovered that eating poultry and livestock products derived from animals that have been fed diets containing flaxseed meal is a more efficient way of maximizing the health benefits of flax.

Program Activity 3.2 – Agri-Business Development

Program Activity Summary

This Program Activity builds awareness of the benefits and encourages the use of sound business management practices. It enables businesses in the sector to be profitable and invest where needed to manage the natural resource base sustainably and to market and produce safe food and other products.

The Agri-Business Development Program Activity provides funding for provincial and territorial initiatives related to business management practices and skills that strengthen the capacity of businesses in the sector to assess the financial implications of business improvements. This includes the impact of environmental plans, food safety systems and innovation projects on their profitability. In addition, the program will help businesses manage transformation, respond to change and adopt innovation. Furthermore, the support provided will help agri-business owners understand their financial situations, implement effective actions and business management plans/practices, and enhance participation by young or new entrants, First Nations clients, and clients in specific sub-sectors in transition.

Agri-Business Development					
2009-10 Financial Resources (\$ millions – net ¹)			2009-10 Human Resources (FTEs ²)		
Planned Spending	Total Authorities	Actual Spending	Planned	Actual	Difference
45.0	81.4	48.6	46	45	(1)

¹ Differences in financial resources are largely due to planned spending reflecting *Growing Forward* projections which were subsequently finalized during the year, resulting in a realignment among Program Activity authorities and spending, as well as the introduction of the Slaughter Improvement Program (an EAP initiative). Spending reflects the timing of program implementation with spending expected to increase in future years of this multi-year program. A large part of this unspent funding is expected to be carried forward for use in future years.

² Full-time Equivalents

Expected Results	Performance Indicators	Targets	Performance Status	Performance Summary
Increased realization of business goals	Percentage of participating businesses in Business Development programs meeting their business goals	55% by Mar 31, 2014	Met All (in terms of progress during the reporting period towards future target)	Achievements to date indicate progress towards meeting the target by the due date 57% of Farm Business Assessment participants indicated the program helped them reach their financial goals, and thus progress towards their business goals 80% of Canadian Agricultural Skills Service participants indicated the program helped them reach their most important goal (for 60% of participants surveyed, their most important goal was financial)

Performance Analysis

The Agri-Business Development Program Activity provides funding for provincial and territorial initiatives related to business management practices and skills that strengthen the capacity of the sector to assess the financial implications of business improvements. This includes the impact of environmental plans, food safety systems and innovation projects on profitability.

Client Impact Assessment Surveys were distributed in 2007 (www.agr.gc.ca/2007ClientImpactAssessment) to participants in programs aimed at improving business management practices and skills. In addition, the National Renewal Survey was conducted in 2007 (www.agr.gc.ca/2007RenewalSurvey) to monitor producers' activities with respect to a variety of business management practices. Among the surveys' highlights were:

- 57% of Farm Business Assessment participants said the program helped them reach their financial goals;
- 80% of Canadian Agricultural Skills Service participants indicated the program helped them reach their most important goal (for 60% of participants surveyed, their most important goal was financial); and
- program participants were more likely to be aware of farm management resources and use accepted business management practices than non-participants.

The Department encouraged participation by young or new entrants, First Nations clients, and clients in specific sectors in transition. In regard to the latter, AAFC assisted transition through activities such as the Orchards and Vineyards Transition Program (OVTP), the Farm Debt Mediation Service (FDMS), and the Slaughter Improvement Program (SIP).

Based on the progress made to date for this Program Activity, it is expected that the target should be reached.

Lessons Learned

Under Agri-Business Development, the federal government has agreed to fund provincial programming that provides the necessary flexibility to address regional priorities, and to fund certain national organization activities that meet business development objectives. This gives clients across the country access to resources and support at a national level. Sharing tools and information, and common feedback instruments for federal, provincial and territorial collaborators will be essential to achieve successful results.

To ensure that the Agri-Business Development performance indicator covers all related sub-activities, including FDMS, OVTP, Business Development and SIP, the indicator was made more general by referencing Agri-Business and program activities; and meeting business/career goals. Furthermore, the target date was changed from March 31, 2014 to March 31, 2013.

Benefits for Canadians

AAFC, in contributing to the development of an innovative agriculture, agri-food and agri-based products sector, is helping to strengthen Canadian economic growth. Environmental stewardship and food safety practices are being enhanced, while the availability of agri-based products for Canadians is expanding. Sector participants in Agri-Business Development initiatives are in a better position to increase profitability and manage change, resulting in increased sustainability and competitiveness.

Program Activity 3.3 – Rural and Co-operatives Development

Program Activity Summary

The Rural Development Program Activity leads an integrated, government-wide approach, called Canada's Rural Partnership. Through this partnership, the Government of Canada aims to coordinate its economic, social, environmental, and cultural policies towards the goal of economic and social development and renewal of rural Canada. It develops partnerships with federal departments, provinces and rural stakeholders in areas such as knowledge building, policy development and the implementation of the government's rural development strategies. It also offers tools to enable rural communities to use their innovative capacity to capture the value of local amenities, and to achieve greater local or regional economic competitiveness.

The Program Activity also promotes economic growth and social development of Canadian society through co-operatives. It facilitates the development of co-operatives as an effective self-help tool, assisting Canadians and communities to address their needs and capture economic opportunities. It provides advice across government on policies and programs affecting co-operatives and builds partnerships within the federal government and with the sector, the provinces and other key stakeholders in the implementation of initiatives, such as capacity and knowledge building, to support co-operatives.

Rural and Co-operatives Development					
2009-10 Financial Resources (\$ millions – net)			2009-10 Human Resources (FTEs ¹)		
Planned Spending	Total Authorities	Actual Spending	Planned	Actual	Difference
21.0	24.9	22.0	90	88	(2)

¹ Full-time Equivalents

Expected Results	Performance Indicators	Targets	Performance Status	Performance Summary
New economic activities are being developed in rural communities	Number of communities in 20 selected rural regions where new economic activities are implemented as a result of Canada's Rural Partnership collaborative activities	30 by Mar 31, 2013	Mostly Met (in terms of progress during the reporting period towards future target)	In the first year of program implementation, progress towards the target was not fully met as actual funding expended was lower than anticipated due to a number of factors (<i>See Lessons Learned</i>) While targets were established for 2013, progress was realized in: 1- knowledge gained regarding issues of services; 2- engaging community partners; and 3- improving information available to rural communities; in order to achieve rural development
	Number of communities that identified and assessed their local natural and cultural amenities	100 by Mar 31, 2013		
Canadians are better able to utilize the co-operative model to meet their economic and social needs	Number of co-operatives created which have received Co-operative Development Initiative support	150 by Mar 31, 2013	Met All (in terms of progress during the reporting period towards future target)	The number of innovative Co-op projects implemented (53) is higher than the target of 25 for the year; however, funding per project is smaller. Overall funding expended is on target. Also, many projects are at an early stage of realization

Performance Analysis

As part of Canada's Rural Partnership (CRP), 19 rural community initiatives were undertaken with partners to identify development opportunities. These initiatives ranged from improving access to local foods to building alternative energy production capacity.

The new Sand Plains Community Development Fund was launched during the year to assist rural communities in the tobacco-growing region of southern Ontario to make the transition to a non-tobacco-based economy through diversification. In its first year, the program provided \$2.1 million for 11 such projects. It also provided another \$1.1 million to explore and expand opportunities in sustainable community and regional development.

Under the Co-operative Development Initiative (CDI), partnerships were renewed with the two national umbrella organizations to provide advisory services and fund innovative co-operative projects across the country. These organizations, in turn, developed agreements with 19 regional and sector delivery partners, resulting in an integrated advisory network across the country. Last year, 53 co-operative innovative projects were implemented. For more information on CDI, visit www.coop.gc.ca/COOP/display-afficher.do?id=1232543849777&lang=eng.

Lessons Learned

The CRP develops partnerships with non-governmental organization service providers to help more rural communities access information, tools and expertise for innovative rural development. In doing so, it was recognized that such partnerships are increasingly complex. As a result, a partnership framework has been developed to foster partnership development. Through CRP initiatives, knowledge was gained with respect to issues of services to rural communities, such as the lack of high-speed internet, as well as more broadly with respect to barriers to rural development, such as the migration of rural youth to urban areas and lack of access to business capital. This knowledge will be applied to assist community partners in finding solutions to improve rural competitiveness.

Under the CDI program, there were larger-than-expected funding demands from third-party delivery partners. Adjustments have been made to ensure higher quality of project applications with clearer indications of expected results.

With regards to developing new economic opportunities in rural communities, as noted in Performance Summary, project funding provided on a cost-shared basis in the first year was lower than expected. The reason was due, in large part, to the economic slow down. Many potential program applicants, generally small organizations with limited resources, faced challenges regarding their matching obligations for program funding.

Benefits for Canadians

With improved information and tools, as well as with engagement of community partners, rural communities are better equipped to take action to improve their competitiveness and take advantage of economic opportunities.

The country-wide availability of co-op advisory services and innovative co-operatives will assist Canadians in meeting economic and social needs.

Program Activity 3.4 – Canadian Pari-Mutuel Agency

Program Activity Summary

Section 204 of the Criminal Code of Canada designates the Minister of Agriculture and Agri-Food as the individual responsible for the policy and regulatory functions pertaining to pari-mutuel wagering on horse races. The Canadian Pari-Mutuel Agency (CPMA) is a special operating agency within AAFC that regulates and supervises pari-mutuel betting on horse racing at racetracks across Canada, with the objective of ensuring that pari-mutuel betting is conducted in a way that is fair to the betting public.

Canadian Pari-Mutuel Agency					
2009-10 Financial Resources (\$ millions – net ¹)			2009-10 Human Resources (FTEs ²)		
Planned Spending	Total Authorities	Actual Spending	Planned	Actual	Difference
(0.0)	4.9	0.7	59	53	(6)

¹ Differences between total authorities and actual spending are as a result of authorities carried forward from previous years.

² Full-time Equivalents

Expected Results	Performance Indicators	Targets	Performance Status	Performance Summary
Pari-mutuel betting is conducted in a way that is fair to the Canadian betting public	Percentage of compliance with the Pari-Mutuel Betting Supervision Regulations of Canadian racetracks and betting theatres inspected by CPMA officers	100 % by Mar 31, 2010	Met All	Performance measures indicate ongoing regulatory compliance of licensed racetracks

Performance Analysis

The effective delivery of the CPMA's Equine Drug Control Program (www.agr.gc.ca/EquineDrugControlProgram) helped ensure that the outcomes of horse races were not affected by the inappropriate administration of drugs or medicaments. Supervision of approved pari-mutuel betting activities, including field audit verifications, established the ongoing compliance of licensed pari-mutuel operators.

Amendment of the regulatory model continued to progress and will provide a more modern, efficient and transparent model for governing the conduct of pari-mutuel betting. Introduction of the new regulatory requirements is on target for introduction before the 2011 horse racing season.

Lessons Learned

A review of the equine samples collected confirmed that the performance target had been fully met. It also revealed regional variations in the criteria relied upon to select horses for testing. Further examination of the selection criteria employed may identify efficiencies that could be achievable with no additional expense.

A review of audited pari-mutuel pools confirmed that all pools reviewed were correctly calculated and distributed in accordance with the regulations. More than 37% of all pools operated in Canada were audited. While believed to be statistically valid to claim 100% compliance, this was below the original target of 45%. The CPMA is reviewing the situation to determine whether the additional auditing would add any more certainty to the validity of calculated pay-out prices, and may submit a revised target going forward.

Benefits for Canadians

Pari-mutuel betting systems are operated in the manner prescribed by federal regulations and policies. Canadians can be assured that all reasonable steps were taken so that betting on horse racing was conducted fairly.

Canada's Economic Action Plan

AAFC participated in Canada's Economic Action Plan (EAP) during 2009-10, with investments to support the capture of new market opportunities in the agricultural and agri-food sector, to enhance Canada's ability to process food domestically, to help Canadian farmers manage their business costs, and to improve program delivery to farmers. The Department also contributed to important horizontal initiatives under EAP with investment in infrastructure. AAFC's EAP initiatives in 2009-10, and their links to Program Activities, are described in the following table:

EAP Initiative	Alignment with Program Activity
Agricultural Flexibility Fund (AgriFlexibility)	PA 1.2 On-Farm Action PA 2.2 Food Safety and Biosecurity Risk Management Systems PA 2.3 Trade and Market Development PA 3.1 Science, Innovation and Adoption PA 3.2 Agri-Business Development PA 4.1 Internal Services
Slaughter Improvement Program	PA 3.2 Agri-Business Development
Canadian Agricultural Loans Act	PA 2.1 Business Risk Management
Transfer of Delivery of the AgriStability Program	PA 2.1 Business Risk Management PA 4.1 Internal Services
Modernizing Federal Laboratories Program	PA 3.1 Science, Innovation and Adoption PA 3.4 Canadian Pari-Mutuel Agency
Accelerating Federal Contaminated Sites Action Plan	PA 4.1 Internal Services

Following is a discussion of departmental performance in 2009-10 for each of these initiatives.

Agricultural Flexibility Fund

The Agricultural Flexibility Fund (AgriFlexibility) is a five-year, \$500 million fund. It supports new initiatives, both federally (Federal Initiatives) and in partnership with provinces, territories (Cost-Shared Federal, Provincial and Territorial (FPT) Initiatives) and industry (Industry-led Initiatives), to improve the sector's competitiveness. These initiatives are helping the sector reduce production costs, improve environmental sustainability, promote innovation, and respond to market challenges. For additional program information, visit www.agr.gc.ca/agriflexibility.

Federal Initiatives announced under AgriFlexibility were at various stages of design and implementation during the reporting period, including the following: AgriProcessing Initiative (API) that will provide repayable contributions to existing agri-processing companies or co-operatives to adopt new technologies and processes essential to the sector's competitive position; and the Canada Brand Advocacy Initiative (CBAI) that complements industry efforts in markets where challenges or opportunities exist, and includes marketing activities such as advertising, retail in-store activities, and restaurant and food-service promotions. For more information on these initiatives, visit www.agr.gc.ca/AgriFlexibility-Initiatives.

EAP Portion of 2009-10 Spending (in \$ millions)		
Planned Spending*	Total Authorities*	Actual Spending
N/A	64.0	6.3

* Planned spending for EAP initiatives is shown as N/A since the planned spending in the 2009-10 RPP did not include Budget 2009 funding due to timing. Authorities reflect funds brought into the Department through Supplementary Estimates and exclude costs related to employee benefit plans and accommodations. The complexity of proposals from industry and timing of program implementation resulted in lower expenditures than authorized in the 2009-10 fiscal year. A portion of the unspent funding is expected to be carried forward into 2010-11.

Expected Results	Performance Indicators*	Targets	Performance Status	Performance Summary
Improved competitiveness through reduced production costs, improved environmental sustainability, innovation, and responses to market challenges	Number of agri-processors that upgrade capacity (AgriProcessing Initiative)	120 facilities by Mar 31, 2014	Met All (in terms of progress during the reporting period towards future target)	The number of proposals received and approved during the period indicate that sufficient progress is being made to achieve the target by Mar 31, 2014
	Maintain exports of Canadian products in priority markets through implementation of marketing plans (Canada Brand Advocacy Initiative)	75% of export value of elected products (as measured immediately prior to the threat's impact on exports) that is maintained by Mar 31, 2011	Too early to report on achievement of target	CBAI activities were initiated in key target markets – Japan, South Korea and Mexico

* Performance information for AgriFlexibility has not been fully established as several key components have either only recently been announced or were expected to be announced in the months ahead.

Performance Analysis

AgriFlexibility has generated a lot of interest from the industry as is reflected in the significant number of proposals received in the first year. However, because the projects under the program have just recently started to roll out, and the activities generally will occur over several years, only limited performance information is available at this time.

Under API, a Federal Initiative, eight proposals for modernizing agri-processing facilities were approved representing up to \$5.6 million in committed funding. Implementation of these proposals should lead to an upgrade in processing capacity at a number of facilities.

Important progress has also been made under CBAI, the other Federal Initiative. South Korea was the first market to be identified as a CBAI priority, largely in response to the loss of market share for Canadian beef in that country. In 2009-10, four consumer focus groups and a survey of 1,000 consumers were conducted in South Korea. Activities also included culinary advertising and a month-long Canadian food promotion in partnership with the Canadian Tourism Commission. Both projects met the shared objectives of promoting Canada as a supplier of safe and high-quality food and a premier travel destination due to its culinary excellence. The South Korean market will continue to be the focus of CBAI until such time as access for Canadian beef has been regained.

In addition to consultation with industry, the selection of markets for actions under CBAI was based on research and analysis of where opportunities for growth of consumer-oriented product are greatest, or where Canada faces the most significant challenges. Throughout the selection process, industry representatives overwhelmingly indicated that Japan and Mexico should, along with South Korea, be considered priority target markets. As a result, public opinion research was undertaken in Mexico and Japan in 2009-10. Plans were developed for further consumer surveys in each country in 2010-11. Results of all surveys will be shared with industry.

Under Cost-Shared FPT Initiatives, nine proposals from provinces have been approved for up to \$21.1 million over five years. For example, under one initiative, the Saskatchewan Research Council will conduct further process development to commercialize a rapid wheat Deoxyribonucleic acid (DNA) technology that will allow the identification of wheat classes and varieties. It will be practical for the industry and provide timely results.

The Department also approved nine proposals from national organizations under Industry-led Initiatives during this first year for approximately \$30.5 million in funding over five years. For example, Pulse Canada initiated a project that focuses on innovation and the commercialization of pulse products. It is expected to result in new markets for Canadian pulses as ingredients in manufactured food products and in food-service offerings. Consumer demand for pulse-based products will also be increased. The Canola Council of Canada began an AgriFlexibility project that will provide just-in-time agronomic information to reduce production costs. Canola farmers will benefit from practices such as precision seeding depth and forecast modeling for pest outbreaks that will reduce costs and increase profit margins.

The Industry-led and Cost-shared FPT proposals support various outcomes for AgriFlexibility, which are distributed among multiple Program Activities as noted on the chart that introduces the discussion of Canada's Economic Action Plan. Industry-led and Cost-shared FPT initiatives will help reduce the cost of production or improve environmental sustainability for the sector, support value-chain innovation or sectoral adaptation and address emerging market opportunities and challenges.

Slaughter Improvement Program

The Slaughter Improvement Program (SIP) is a national, applications-based program that provides red meat packers and processors with repayable federal contributions to support private sector investments aimed at improving operations. These new investments focus on reducing operating costs, increasing revenues, and adopting innovation to meet future business challenges. The approved SIP projects represent a cross section of the red meat sector and regions. Funding has been approved for projects in the pork, beef, veal, sheep, and bison sectors in five provinces: Alberta, Manitoba, Ontario, Quebec, and Nova Scotia. For more information, visit www.agr.gc.ca/slaughterhouse.

EAP Portion of 2009-10 Spending (in \$ millions)		
Planned Spending*	Total Authorities*	Actual Spending
N/A	19.8	7.7

* Planned spending for EAP initiatives is shown as N/A since the planned spending in the 2009-10 RPP did not include Budget 2009 funding due to timing. Authorities reflect funds brought into the Department through Supplementary Estimates and exclude costs related to employee benefit plans and accommodations. Actual spending for SIP was less than authorized as most of the projects are multi-year, with the majority of the spending projected for 2010-11. Unspent funding is expected to be carried forward.

Expected Results	Performance Indicators	Targets	Performance Status	Performance Summary
Investments in operational performance among red meat packers and processors	Amount of program funds invested by red meat packers and processors in operational improvements (as documented in their business plans)	\$46 million by Mar 31, 2012	Met All (in terms of progress during the reporting period towards future target) (\$37.4 million committed to date)	Initial funding commitments indicate progress to achieving investment targets by 2012
Improved operational performance among red meat packers and processors	Percentage of recipients that increase their operational performance	85% by Mar 31, 2013	Met All (in terms of progress during the reporting period towards future target)	Applications and project approvals indicate progress is being made to achieving operational performance targets by 2013
Improved financial performance among red meat packers and processors	Percentage of recipients that increase their financial performance	85% by Mar 31, 2013	Met All (in terms of progress during the reporting period towards future target)	Applications and project approvals indicate progress is being made to achieving financial performance targets by 2013

Performance Analysis

AAFC has committed \$37.5 million in SIP funding with a target to provide \$56 million in total funding by March 31, 2012. While it is too early to determine the total investment and the operational and financial performance of program participants, applications and project approvals indicate progress towards achieving targets by their respective target dates.

This program contributes to innovation and competitiveness in the agriculture, agri-food and agri-based sector. This in turn, will help strengthen Canadian economic growth, while improving stewardship and food safety and expanding the availability of agri-based products for Canadians.

Canadian Agricultural Loans Act

The *Canadian Agricultural Loans Act* (CALA) is a financial loan guarantee program that gives farmers easier access to credit. Recent changes to legislation make the program available to new farmers and to a broader range of agricultural co-operatives. Through the CALA, AAFC supports the renewal of the agricultural sector and enables co-operatives to better seize market opportunities. For more information, visit www.agr.gc.ca/cala.

EAP Portion of 2009-10 Spending (in \$ millions)		
Planned Spending	Total Authorities	Actual Spending
-	-	-

\$4.6 million in existing departmental resources were available in 2009-10 to support the CALA program, of which \$3.1 million was spent. Budget 2009 funding for CALA is reflected as Planned Spending starting in 2010-11.

Expected Results	Performance Indicators	Targets	Performance Status	Performance Summary
Farmers and agricultural co-operatives have access to affordable capital to make investments in their farm properties	Number of program participants per fiscal year	2009-10: 2,618 participants 2010-11: 4,358 participants 2011-12: 4,358 participants 2012-13: 4,358 participants	Mostly Met (in terms of progress during the reporting period towards future target)	2,524 loans were issued in 2009-10, the start-up period, just 4% less than the target. As the program gains greater momentum, it is anticipated that subsequent targets should be achieved in the following years

Performance Analysis

The 2009 forecast for loans issued under CALA was 2,625; the actual number of loans issued for 2009 was 2,524. This was the start-up year and additional time was required for the program to achieve greater momentum. The CALA received Royal Assent on June 18, 2009 and an advertising and promotion campaign for the program began at the end of July. Plans were made for another campaign in 2010.

The CALA aims to help both new and existing farmers and agricultural co-operatives with their financing needs by guaranteeing loans issued by financial institutions. It will help strengthen the agricultural sector by providing opportunities for beginning farmers to get started, or to take over the family farm through intergenerational farm transfers, and for more agricultural co-operatives to participate in value-added initiatives.

Transfer of Delivery of the AgriStability Program

This initiative supports the federal government's commitment to work with interested provinces toward transferring the delivery of the AgriStability program (www.agr.gc.ca/agristability) from the federal government to provincial governments. The transfer allows for integration and alignment with BRM programs delivered by provinces.

EAP Portion of 2009-10 Spending (in \$ millions)		
Planned Spending*	Total Authorities*	Actual Spending
N/A	2.9	1.9

* Planned spending for EAP initiatives is shown as N/A since the planned spending in the 2009-10 RPP did not include Budget 2009 funding due to timing. Authorities reflect funds brought into the Department through Supplementary Estimates and exclude costs related to employee benefit plans and accommodations.

Expected Results	Performance Indicators	Targets	Performance Status	Performance Summary
Delivery of AgriStability by B.C. and Sask. for the 2009 program year	Signed bilateral delivery transfer and employee transfer agreements	Signed agreements by Dec 31, 2009	Met All	Agreements were signed Dec 9, 2009, transferring AgriStability delivery to B.C. and Sask. on Jan 1, 2010

Performance Analysis

The federal government signed bilateral delivery and employee transfer agreements December 9, 2009, with British Columbia and Saskatchewan to transfer delivery of the AgriStability program effective January 1, 2010. This marked the first time that a BRM program was transferred from federal administration to provincial administration. As a result of this successful collaboration, federal and provincial officials developed robust and detailed transition plans to support a seamless transition, minimizing the risk of service interruptions.

This initiative supports client service through wider integration and alignment of BRM programs that are already being delivered by the provinces.

Modernizing Federal Laboratories Program

Under EAP, AAFC received \$25.9 million to implement eight modernization projects in laboratories across the country in 2009-10 and 2010-11. Greenhouses are being replaced in Swift Current, Saskatchewan, and upgraded in Harrington, Prince Edward Island. A new dairy complex is being built in Sherbrooke, Quebec. Laboratories are being upgraded in Ottawa and Guelph, Ontario, Morden, Manitoba, Saint-Jean-sur-Richelieu, Quebec, and Fredericton, New Brunswick.

EAP Portion of 2009-10 Spending (in \$ millions)		
Planned Spending*	Total Authorities*	Actual Spending
N/A	6.6	6.6

* Planned spending for EAP initiatives is shown as N/A since the planned spending in the 2009-10 RPP did not include Budget 2009 funding due to timing. Authorities reflect funds brought into the Department through Supplementary Estimates and exclude costs related to employee benefit plans and accommodations.

Expected Results	Performance Indicators	Targets	Performance Status	Performance Summary
Completion of 8 laboratory projects across Canada	On time and on budget	By Mar 2011, complete all 8 projects on budget	Met All (in terms of progress during the reporting period towards future target)	1 completed project and 7 projects on time and budget

Performance Analysis

The modernization of the Morden Research Station in Manitoba was completed in 2009-10 on time and within budget.

The following two laboratory upgrades were ahead of schedule and were completed within budget in June 2010: the Horticulture Research and Development Centre in Saint-Jean-sur-Richelieu, Quebec; and the Guelph Food Research Centre in Ontario.

Construction is under way for the following five projects: modernizing the Dairy Cattle Research Facility at the Dairy and Swine Research Development Centre in Sherbrooke, Quebec; replacing the greenhouse facilities at the Semiarid Prairie Agricultural Research Centre in Swift Current, Saskatchewan and at the Harrington Research Farm in Prince Edward Island; and upgrading the laboratory at the Canadian Pari-Mutuel Agency in Ottawa, and at the Potato Research Centre in Fredericton, New Brunswick. All projects are expected to be on schedule and within budget.

The projects represent a sound investment in AAFC infrastructure, greatly enhancing science capacity and underpinning core responsibilities of the Department. The projects will support important research in plant breeding, pesticide management, food safety and new product development. There will be long-term benefits for farmers and an immediate economic stimulus in the construction and related industries.

Accelerating Federal Contaminated Sites Action Plan

The Federal Contaminated Sites Action Plan (FCSAP) is a program that helps federal custodians such as AAFC to address contaminated sites for which they are responsible. The primary objective of this program is to address the risks that these sites pose to human health and the environment and to reduce the associated financial liability, but it also promotes other socio-economic outcomes such as training and employment of Canadians and promotion of innovative technologies. The new funding provided under EAP is expected to accelerate action on site assessments, continued program management, and environmental remediation activity on priority federal contaminated projects across Canada, over the two-year period of 2009-10 and 2010-11.

EAP Portion of 2009-10 Spending (in \$ millions)		
Planned Spending*	Total Authorities*	Actual Spending
N/A	0.3	0.3

* Planned spending for EAP initiatives is shown as N/A since the planned spending in the 2009-10 RPP did not include Budget 2009 funding due to timing. Authorities reflect funds brought into the Department through Supplementary Estimates and exclude costs related to employee benefit plans and accommodations.

Expected Results	Performance Indicators	Targets	Performance Status	Performance Summary
Completion of additional assessment and remediation activities at AAFC contaminated sites to address risks posed to human health and the environment and to reduce associated financial liability	Number of remediation projects under way or completed at AAFC contaminated sites	By Mar 31, 2010, undertake 2 remediation projects	Met All	Remediation of 2 contaminated sites was initiated and completed by Mar 31, 2010 Environmental Site Assessments of known contaminated sites were completed at 11 properties. All EAP funding was expended
	Number of assessment projects completed at AAFC contaminated sites	By Mar 31, 2010, complete 11 assessment projects	Met All	

Performance Analysis

Assessments, which involve detailed scientific and/or engineering analysis to identify the nature and extent of contamination, are an important aspect of the FCSAP program. An assessment determines whether a site requires further action in terms of remediation or risk management to reduce the associated human health or ecological risk. If further action is required as a result of the assessment, a remediation or risk management plan is developed. AAFC used EAP funding in 2009-10 for additional site assessments and remediation activities.

Assessment projects were completed at 11 sites across the country. In addition, remediation projects at two AAFC community pastures in Saskatchewan were completed as planned. AAFC made full use of all available funding for both assessment and remediation projects.

This investment in cleaning up federal contaminated sites provided both economic and environmental benefits. Activities funded under this initiative created opportunities for professional science and engineering firms, material suppliers, and local labour and businesses throughout the country. In addition, remediating federal contaminated sites enhanced green spaces, and helped ensure healthier bodies of water and cleaner soils.

Program Activity 4.1 – Internal Services

Program Activity Summary

Internal Services are groups of related activities and resources that are administered to support the needs of programs and other corporate obligations of the Department. These groups are: Management and Oversight Services including Strategic Policy and Planning; 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. Internal Services include only those activities and resources that apply across an organization and not to those provided specifically to a program.

Internal Services support all strategic outcomes within this organization.

Internal Services					
2009-10 Financial Resources (\$ millions – net ¹)			2009-10 Human Resources (FTEs ²)		
Planned Spending	Total Authorities	Actual Spending	Planned	Actual	Difference
287.6	362.4	357.9	2,087	2,049	(38)

¹ Differences in financial resources are largely due to planned spending reflecting *Growing Forward* projections which were subsequently finalized during the year, resulting in a realignment among Program Activity authorities and spending. Total authorities include the annual carryforward of capital and operating not reflected in planned spending.

² Full-time Equivalents

Internal Services	
Planning Highlights from 2009-10 RPP	Performance Analysis
<p>Program Management and Service Delivery</p> <p>AAFC continues to implement its federal/provincial service agenda with the goals of regularly understanding client needs, communicating clearly diverse service offerings across all channels and streamlining and integrating program delivery.</p>	<p>AAFC paid particular attention to improving program management through design, development and delivery of grants and contributions programs. It worked to increase client satisfaction and respond to client needs and objectives across its service network. The recently created Centre of Program Excellence is leading internal program management changes in design, development and delivery of Grants and Contributions activities.</p>
<p>Audit and Evaluation</p> <p>In its plans for 2009-10, the Department indicated that it would be renewing its audit and evaluation functions to ensure they deliver timely and informative products for senior management. Internal audit reports provide assurance, independent from line management, on the adequacy of risk management, control and governance processes. Evaluation reports provide accurate, objective and evidence-based information on the results, relevance, and cost-effectiveness of departmental programs and initiatives.</p>	<p>An independent quality assurance review of the internal audit function in 2009-10 concluded that the function generally conformed to 48 of 49 professional standards. The only gap was a need for more formal internal assessments and performance reporting. Audits and risk assessments were undertaken to provide assurance and recommendations on the Department's risk management, governance and controls, particularly as they related to EAP funding and other new programming, and three evaluations were completed on the performance and relevance of departmental programs and initiatives.</p>
<p>Human Resources Management</p> <p>With respect to human resources management, in 2009-10 AAFC will focus on: 1) Public Service Renewal – achieving results on the Clerk of the Privy Council's four Renewal priority areas of integrated business and HR planning; recruitment; employee development; and enabling infrastructure; 2) Talent Management – maximizing every employee's potential; and 3) Matching People to Priorities – providing managers and employees with tools and services to support the</p>	<p>AAFC continued to make strong progress in 2009-10 against all Public Service Renewal priority areas. The Department adopted a rigorous approach to talent management for its EX community to identify, develop and retain talented employees and future leaders. It is also committed to ensuring that all employees have access to opportunities for development. It delivered on its commitment to integrate business and HR plans in 2009-10. Also, AAFC</p>

Planning Highlights from 2009-10 RPP (continued)	Performance Analysis (continued)
<p>alignment of the Department's people with its evolving business priorities. Focusing on these three core areas will help AAFC ensure it has the ongoing capacity to respond to current and emerging challenges, capitalize on investments and innovations, and continually improve its people management policies and programming.</p>	<p>remained committed to acting on employee concerns raised in the Public Service Employees Survey. The Department made some progress in 2009-10 and work continues in 2010-11.</p>
<p>Official Languages</p> <p>The Department's Official Languages Accountability Framework is the basis for planning the management of the specific responsibilities and obligations arising from the <i>Official Languages Act</i> (OLA). Official Languages at AAFC is the responsibility of all staff and the accountability framework outlines the roles and responsibilities of the Department's branches and teams to be totally compliant with the obligations set out in the OLA and for ensuring that AAFC fully embraces Official Languages.</p>	<p>The principles of the framework were incorporated into a new AAFC strategy called <i>The Way Forward: A New Vision for Official Languages</i>. This strategy sets out a new vision which moves away from a <i>rules-based</i> approach toward a <i>values-based</i> approach, focusing on the benefits of linguistic duality and encouraging engagement and leadership at all levels.</p>
<p>Investment Planning</p> <p>AAFC is committed to the full implementation of the Treasury Board Policy on Investment Planning, including a Departmental Investment Plan. The Department was not part of the first or second wave of implementation but is getting ready for the scheduled transition. This will include an assessment in 2009 of the Department's readiness for project management and investment planning. In moving forward, the Department will apply lessons learned and best practices from other departments.</p>	<p>AAFC completed the assessment of the Department's readiness for project management and investment planning, applied lessons learned from four pilot departments where appropriate, and developed an investment planning governance structure aligned with its Program Activity Architecture. With this foundation, the Department developed a draft Investment Plan for 2010-15, supported by an Organization Project Management Capacity Assessment and related Project Capacity Risk Assessments, during the reporting period. The Investment Plan has since been finalized and approved by the Treasury Board, and is in the process of being implemented.</p>
<p>Consolidation of National Headquarters</p> <p>AAFC is currently consolidating its departmental activities in the National Capital Region to the National Headquarters Complex for the Agriculture Portfolio. This will continue in 2009-10, with consolidation scheduled to be complete in September 2009.</p>	<p>The consolidation of the headquarters was completed on time and under budget in September 2009.</p>
<p>Information Management and Technology</p> <p>The Department has developed an Information Management and Information Technology (IM and IT) Strategic Framework, complemented by an integrated IM and IT Business Model, which provides a structured, enterprise-wide method to categorize and report on the Department's IM and IT investments against business outcomes. A series of strategies has been and will continue to be identified in keeping with the Department's IM and IT strategic outcomes.</p>	<p>The business model enabled AAFC to deliver transfer payments of almost \$2 billion annually through ongoing improvements in IM and IT technologies to meet service expectations. In addition to supporting program delivery, other objectives were met, such as improved security and protection of information, and improved investment planning and delivery.</p>
<p>Strategic Review</p> <p>Through its strategic review, AAFC is replacing or reducing programs that no longer meet the needs of clients and further aligning its programs with its mandate and the <i>Growing Forward</i> policy framework. These changes will ensure AAFC is better positioned to help build a more profitable and globally competitive agriculture and agri-food sector that can manage risks better. Savings realized will be directed to the new suite of non-business risk management programs under <i>Growing Forward</i>, as well as the new AgriFlexibility program. Savings will also be used to strengthen slaughterhouse capacity across the country in support of the livestock and dairy sectors.</p>	<p>The investments under <i>Growing Forward</i>, AgriFlexibility and the Slaughter Improvement Program are proceeding as planned. Additional information is provided under the applicable program activities and Canada's Economic Action Plan initiatives described in Section II.</p>

Section III

Supplementary Information

Financial Highlights

The financial highlights presented within this Departmental Performance Report are intended to serve as a general overview of AAFC's financial position and operations. More detailed information is provided in the Department's financial statements, which can be found on AAFC's website at: www.agr.gc.ca/FinancialStatements.

(\$ thousands)

Condensed Statement of Financial Position			
At End of Year (March 31, 2010)	% Change	2010	2009*
ASSETS			
Total Assets	-2%	2,991,615	3,048,320
TOTAL	-2%	2,991,615	3,048,320
LIABILITIES			
Total Liabilities	1%	2,830,882	2,795,844
EQUITY OF CANADA			
Total Equity	-36%	160,733	252,476
TOTAL	-2%	2,991,615	3,048,320

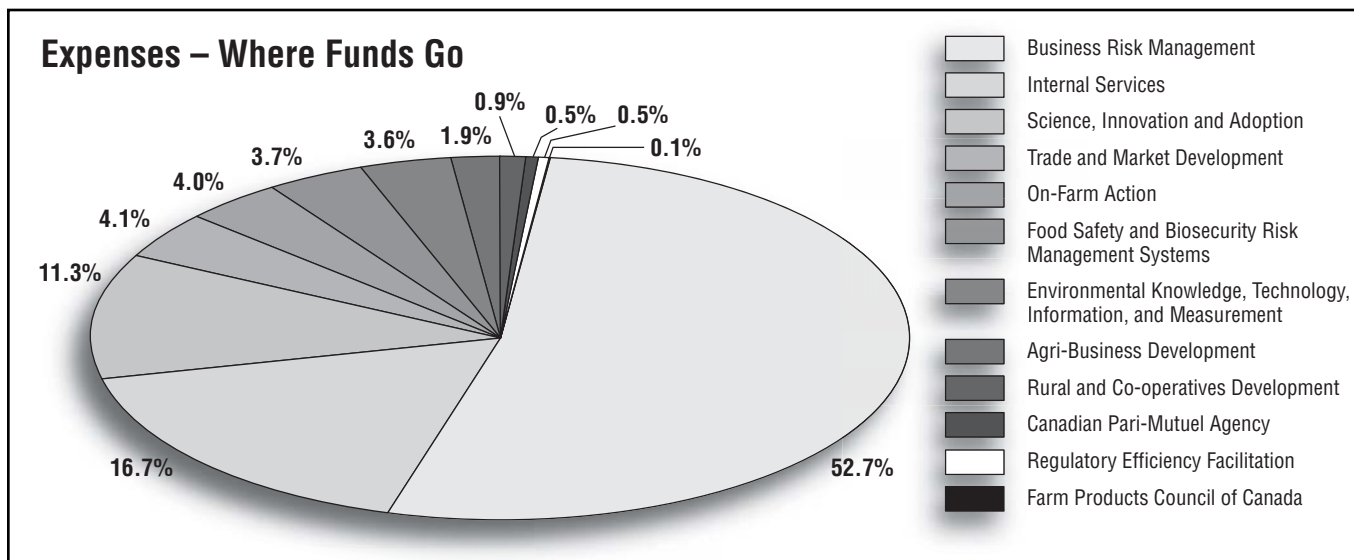
(\$ thousands)

Condensed Statement of Financial Operations			
At End of Year (March 31, 2010)	% Change	2010	2009
EXPENSES			
Total Expenses	-11%	2,424,027	2,733,858
REVENUES			
Total Revenues	-55%	141,255	311,150
NET COST OF OPERATIONS	-6%	2,282,772	2,422,708

* Balances for 2009 have been adjusted from those presented in the 2008-09 DPR to conform to the revised Treasury Board accounting standard for departmental financial statements.

Departmental assets include accounts receivable for repayable contributions and capital assets supporting primarily the research activities of the Department that contributed to the strengthening of innovation capacity within the sector in 2009-10. Liabilities consist primarily of accounts payable and accrued liabilities at year end, the majority of which are related to accruals in support of programs such as the AgriInvest and AgriStability programs that were delivered in 2009-10.

Expenses incurred and revenues earned, which supported AAFC's programs and services that benefited Canadians during 2009-10, are detailed in the following chart:



Total expenses for the Department were \$2,424 million in 2009-10. The majority of funds, \$1,278 million or 52.7%, were spent in the Business Risk Management Program Activities. Science, Innovation and Adoption and Internal services represented another \$678 million or 28%. The Program Activities are discussed in Section II of this report.

List of Supplementary Information Tables

All electronic supplementary information tables listed below can be found on the Treasury Board of Canada Secretariat's website at: <http://www.tbs-sct.gc.ca/dpr-rmr/2009-2010/index-eng.asp>.

- Sources of Respendable and Non-Respendable Revenue
- User Fees Reporting
- Status Report on Projects Operating with Specific Treasury Board Approval
- Status Report on Major Crown/Transformational Projects
- Details on Transfer Payment Programs
- Up-Front Multi-Year Funding
- Horizontal Initiatives
- Green Procurement
- Response to Parliamentary Committees and External Audits
- Internal Audits and Evaluations