

Global Excellence

K E E P I N G T H E M O M E N T U M



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Agriculture and Agri-Food Canada

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Agriculture and
Agri-Food Canada

Agriculture et
Agroalimentaire Canada

In the agriculture and agri-food industry today, everything we do is set against a shifting backdrop of changing global realities. Globalization, for us, isn't just a cliché. It's real. And it is the challenge presented by this new reality which, above all, has shaped our approach to the future.

At AAFC, when we speak of *Global Excellence*, we're talking about much more than marketing Canadian canola in Asia, or shipping dairy genetics to 100 countries around the world — though these things are certainly a measure of the kind of world in which we live.

Global Excellence can only be achieved on a foundation of excellence here at home. Domestic sales are approaching \$90 billion, and this home-grown success is a springboard to achieving increasing global success. Canadian consumers are among the most discriminating in the world. Ours is a diverse, increasingly sophisticated marketplace. We improve our sales by improving our products — and this market acumen, combined with Canada's excellent reputation for **food quality and safety**, is key to global success.

Already, Canadian products have proven themselves in the world arena. Exports have surpassed \$22 billion, well ahead of our own predictions. And our industry is now setting its sights on doubling that figure by 2005. This is an ambitious goal, but industry is prepared. In Canada's food processing sector alone, investment is up from \$1.4 to \$1.9 billion over the last three years. The productivity of Canadian farms is on the rise — and we're boosting our output while taking better care of our environment. This bodes well, not only for Canadians, but for people world wide. Increased farm productivity is essential if we are to meet the needs of a growing global population.



Keeping the Momentum

Trade, both domestically and internationally, means jobs and growth opportunities for Canadians, in processing, in distribution, in marketing, and a score of other industries. Of the two million jobs our sector supports, three of every four exist beyond the farm gate. But success in the sector is also, of course, a good predictor of success on the farm.

Every one of us working in agriculture depends, to a large extent, on what happens on the farm. In rural areas, in particular, agricultural success is often pivotal to a strong economy. That's why AAFC is coordinating the government-wide effort to build stronger rural communities. Through a host of joint programs, including the Canadian Rural Partnership which pulls together the resources of more than 20 federal departments and agencies, we're finding new ways to equip rural communities to compete in the global economy.

At Agriculture and Agri-Food Canada, we are working hard on behalf of Canadians — and more importantly, we are working **with** them — to build a foundation for continued excellence. In an increasingly competitive world, Canada's success depends, more and more, on this kind of coordinated effort. And to deal with the complex challenges ahead, our department has made fundamental changes in the way we work individually, with each other, and with the agribusiness community.

Clearly, in these tough fiscal times, it is increasingly important to understand exactly where our strengths lie. That's why AAFC has set out three strong business lines that define where we will place our best efforts: *Expanding Markets*, *Innovating for a Sustainable Future*, and *Strong Foundations for the Sector and Rural Communities*. A fourth line, *Sound Departmental Management*, gives us the capability to perform with excellence.

Our core business lines fix clearly on targets that matter to all Canadians — targets for industry growth and rural prosperity. This *Corporate Plan* spells out how we intend to reach those targets, by pulling together talents from every branch of the department and our sister agencies, and from right across the sector. AAFC works hand-in-hand, for example, with the new Canadian Food Inspection Agency, which is the first Agency of its kind in the world. With the establishment of CFIA, we are strengthening our reputation as a leader in food inspection and safety: the CFIA model is being studied around the world.

As the next few years unfold, a great deal will depend on our ability to transform ourselves as an industry: to take risks, to maintain our competitive edge, and to build our future through sound environmental stewardship of our land and resources. Together, we must take care of the industry of tomorrow, today.

In short, we know where we are headed. We've set ambitious goals, but they are realistic ones, given the expertise we can marshal from right across the sector. Success, of course, may not always come easily: this *Corporate Plan* sets the stage for a challenging three years. But in my experience, the agriculture industry has never been afraid of hard work!

Lyle Vanclief
Minister of Agriculture and Agri-Food
and Minister Coordinating Rural Affairs

Global Excellence

Canadian Agriculture and Agri-Food Today:

A Springboard to Excellence

"More and more, we're doing business in the world food market — that's where the opportunities lie. But many food producers and processors around the world are pursuing the same opportunities. We have to be world-class competitors."

Lyle Vanclief
Minister of Agriculture and Agri-Food
and Minister Coordinating Rural Affairs

Canada is a trading nation. This has always been true, but today, success in the competitive global environment is not just desirable: it is essential. Canadian excellence, measured in global terms, will shape the future of Canada's agriculture and agri-food sector, and the future of the two million Canadians who make their living in some way from the land. This dynamic sector contributes nearly nine percent to Canada's Gross Domestic Product.



Building on firm footings

The agriculture and agri-food sector has established a strong basis for growth. The pursuit of *Global Excellence* depends in large part on international sales, but our success in global markets in turn rests on continuing development of world-class products here at home and our excellent reputation for food quality and safety. Canada's healthy domestic markets are our springboard to international success.

Domestically, Canada has done well. Food and beverage sales to Canadian consumers approached \$90 billion last year; in the food processing sector alone, investment is up 30 percent over the last three years. And the Canadian Food Inspection Agency, established last year, captured international interest as a model for excellence in food safety.

Record export sales

Internationally, the sector has generated considerable momentum over the last few years, bettering targets set by industry and government, and achieving over \$22 billion in export sales in 1997. Canadian sector has made strong headway in this lucrative global market. Agri-food industries are numbered among Canada's biggest and most important. McCain Foods Limited, which has plants in 10 countries and sales approaching \$5 billion around the world, was named one of Canada's top 10 exporters for 1997. The Canadian Wheat Board is easily the largest such marketing entity in the world, selling \$4-6 billion of wheat and barley annually to some 70 countries.



The Agriculture and Agri-Food Sector:

- is the third largest employer in Canada, providing jobs for two million Canadians. Three of every four work "beyond the farm gate".
- has doubled its impact on the economy in less than two generations, now contributing just under nine percent to our Gross Domestic Product. In 1997, trade surpluses in agri-food were up to \$7.4 billion (up 52 percent from 1995).
- provides Canadians with some of the safest, most economical food in the world. Second only to the Americans, Canadians spend under 10 percent of their disposable income on food, compared to up to 24 percent in other industrialized countries.
- is increasingly adopting conservation tillage: more than 50 percent of our seeded land benefits from the technique, which not only cuts farmers' costs, but also reduces soil erosion, improves wildlife habitat, and holds carbon in the soil, thus reducing greenhouse gas emissions.
- spends \$1 billion on agri-food research and technology. In 1997-98, AAFC invested \$353 million.

Everything from meat to french fries now moves more freely and in greater quantities around the world. And this, of course, is not due solely to agri-food giants, but to a number of newer products and smaller businesses that are carving their own niches on the world stage.

Investment and jobs up

These increased sales, whether they are abroad or here at home, have enabled Canadians to increase the country's economic output and create new jobs in the sector. Both output and employment have responded positively over the last two to three years. Today, one in seven Canadians make their living in the agri-food sector. Our farms are increasingly productive and, over the last year, there have been sure signs of increasing optimism: statistics from across the country report that sales of tractors and combines are up. Livestock production alone has grown more than 20 percent, with almost all of this growth going to export markets. Our output of processed agricultural products has increased substantially. For the first time, in 1996, Canadians exported more processed food than we imported.

Global opportunities

To realize real growth in our sector, Canada is increasing business in the booming global market. Foreign markets are larger and have grown at a much faster pace than domestic markets: world trade in agriculture and agri-food products more than doubled between 1985 and 1996, growing to \$US 464 billion.

Canadians must go where the opportunities are — and that applies to the entire agri-food system of input suppliers, producers, processors, further processors, distributors and exporters.

As well as increased opportunity, however, Canadian producers and processors can expect more aggressive competition not only for the international market, but for our Canadian market. While that Canadian market is more mature than many others around the world, there is still considerable room for steady growth, particularly for industries which adapt to changing customer demographics, reflecting an aging, more sophisticated and ethnically diverse Canadian population.

Capitalizing on proven excellence

Global Excellence describes how AAFC, together with sector partners, intends to help build a growing, competitive, market-oriented sector that is increasingly self-reliant. We intend to capitalize on Canadian excellence: our productivity, our technology, our sustainable practices, and newly developed mechanisms to stimulate and stabilize the farm and rural economy. *Global Excellence* also looks at key changes within our department, to better provide our workforce with the tools they need to get the job done.

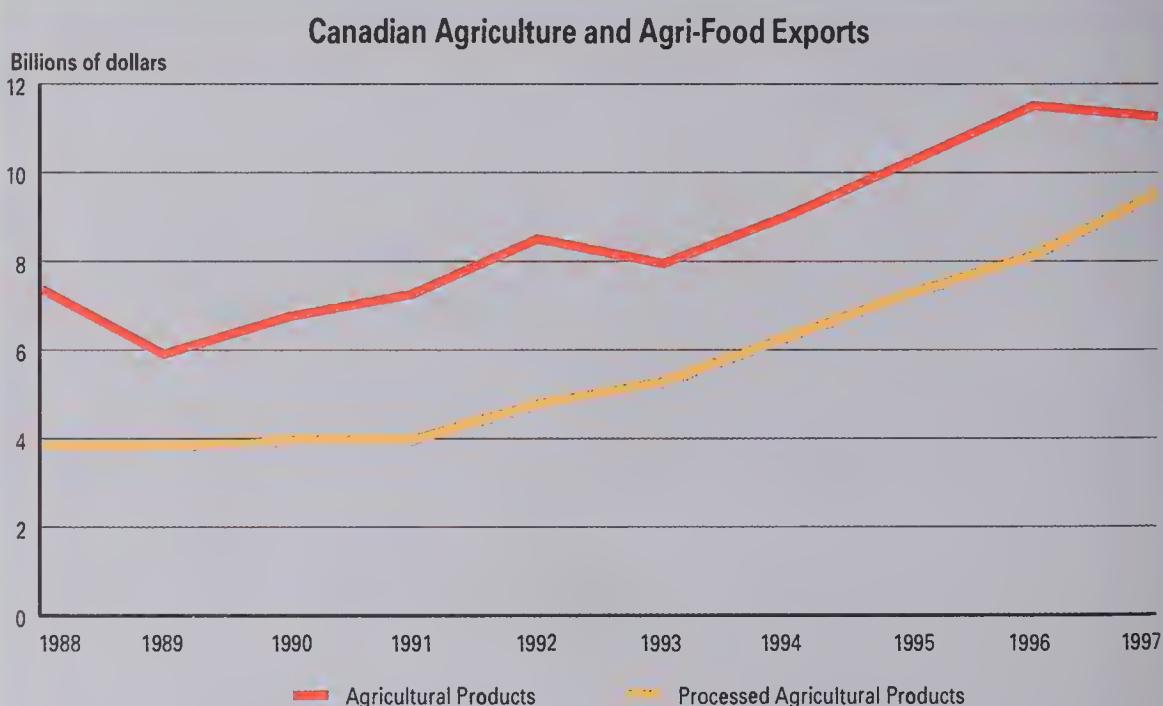
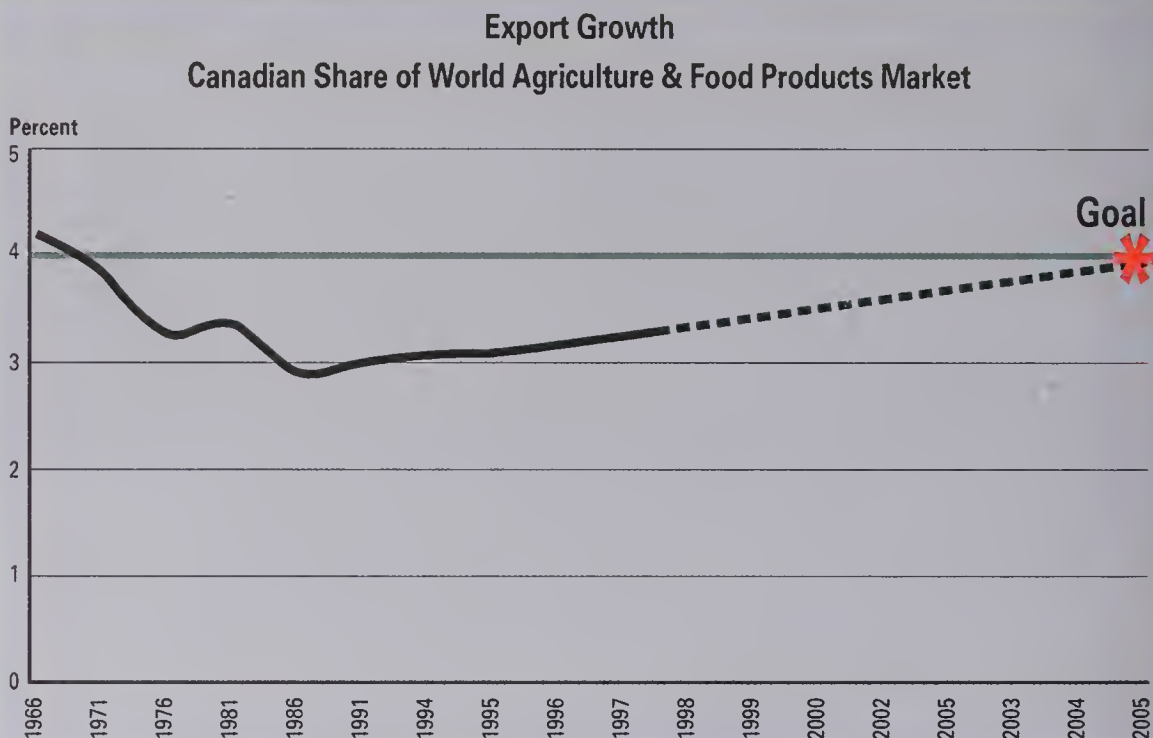
Going Global:

Aiming at a larger share of the global pie

"We want and we can get a larger share of that global pie."

Minister Lyle Vanclief,
February 1998

The **Canadian Agri-Food Marketing Council (CAMC)** and the agriculture and agri-food sector are aiming to double Canada's agriculture and agri-food exports by 2005. Created by Minister Vanclief in February 1997, CAMC takes a Team Canada approach, advising the Ministers of Agriculture and Agri-Food and International Trade. CAMC, which is made up of a range of leaders from across the agri-food sector, is working with government to increase Canada's share of world agriculture and agri-food exports from three percent to four percent. Meeting this ambitious goal, which could translate to \$40 billion Cdn in sales by the year 2005 if current trends continue, will require Canada to export a much higher proportion of processed agricultural products.



The sector's target is to have at least 60% of our agriculture and agri-food exports coming from processed agricultural products by the year 2005. In 1997, Canada's exports of processed agricultural products accounted for 46% of our total agriculture and agri-food exports — up 43% since 1988.

Can We Keep the Momentum?



Industry Outlook

Overall, the outlook for Canada's agriculture and agri-food sector over the next three years is positive. Expectations are for vibrant export and domestic market growth, particularly processed agricultural products. Canadian agri-food is increasing. Our spending on food products at home and abroad should grow, on average, by \$2.0 billion annually. And the Canadian food and beverage sector could capture \$1.5 billion of this growth annually. As well the increasing business confidence in the Canadian economy should encourage new investment in the Canadian agriculture and agri-food industry.

Export markets will be key, with projections for world trade by the year 2005 varying from \$US 625 billion to \$US 745 billion.

The challenge for Canada will be to maintain our advantage in an era of rapid economic change, new trade agreements, new technology, shifting global markets, and changing consumer demands. Past success is no guarantee of future success. In order to remain competitive and profitable, the agriculture and agri-food sector has to **increase its productivity**. This means, among other things, developing and adopting **new technologies** that give Canadian business an edge, as well as finding affordable, technological solutions to the **environmental challenges** facing producers as they expand production.

Markets are volatile, and both government and sector must work together to ensure producers are cushioned from the effects of **potential declines in market prices**. Canadians must be prepared to offset any declines, with a blend of **increased productivity**, effective **farm income risk management programs**, and an increasing focus on processed agricultural products.

Primary Sector Ready to Grow

The productivity of Canadian farms is on the rise. Production grew from \$25.7 billion in 1996 to \$28.2 billion in 1997. The lion's share of Canadian production feeds Canada's growing domestic market, but fully 40 percent of Canada's production is available for export.

Over the last decade, Canadian producers have increasingly emphasized oilseeds, and their popularity has offset the volatility of wheat prices. Canola alone is now grown on over 15 million acres in Western Canada, and this larger production, plus

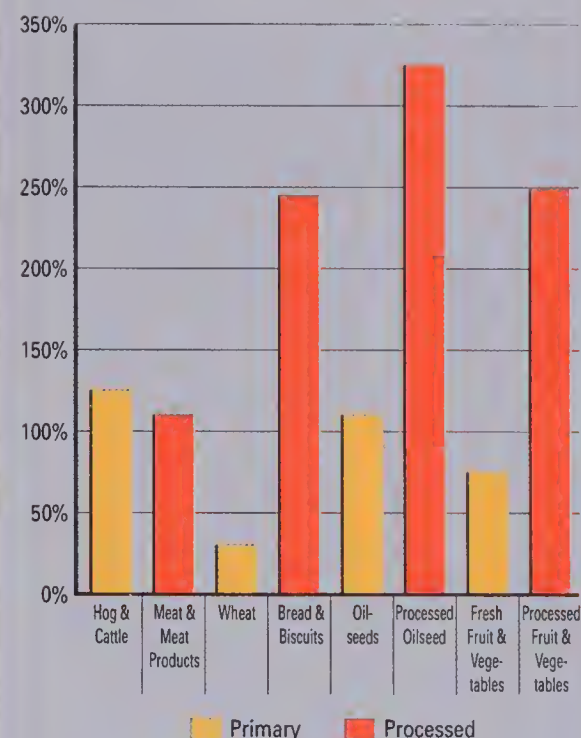
increased oilseed crushing capacity, will continue to contribute to export success.

Traditionally, Canada's largest export market sales have been in grains: Canada's bulk sales of wheat and barley, which are marketed by the Canadian Wheat Board, account for between \$4–6 billion in exports annually. The Wheat Board is the largest single wheat and barley marketing organization in the world, selling to over 70 countries worldwide, often through trading offices in Winnipeg, Vancouver, Tokyo and Beijing. With its 63 years experience in international marketing of Canadian grains, combined with the expertise of prairie farmers and the world recognized prestige of the Canadian Grain Commission inspection system, Canada should remain a leading international competitor in grain exports.

Products that take on the world

Although canola seed was virtually unknown in Mexico in the early 1980s, Canadian sales in 1997–98 were 535,000 metric tonnes, thanks largely to the joint work of the Canola Council of Canada and AAFC's AIMS program (Agri-Food Industry Market Strategies). The "Cinderella" crop, developed in Canada, is the fastest growing oil product in the lucrative United States market, and Canada is targeting newer markets such as the Philippines.

Percentage Increase in Selected Exports from 1990 to 1997



Capitalizing on diversification: Canada's success in volatile global markets will continue to depend on sector diversification and the sector's ability to meet the changing needs of global consumers. When declining wheat prices reduced the value of Canada's total grain exports by nine percent from 1995 levels, increasing exports of other commodities maintained Canada's trade surplus.

On the rise: Overall export sales of oilseed products have more than doubled in less than a decade moving from \$2.87 billion to \$9.5 billion. Red meats showed similar growth (\$2.4 billion in 1997), and several smaller sectors performed excellently, with sales of vegetables increasing considerably over the last seven years, to \$432 million.



Several other sectors have shown excellent growth potential. Livestock production, which grew by over 25 percent between 1992 and 1997, continues to exhibit strong growth potential. Ample feed supplies (at competitive prices) and continued investment in processing facilities set up favourable conditions for expansion of the Canadian livestock and meat sector over the next decade.

Fresh vegetables, though a small industry compared with other sectors of agriculture, showed continued growth this decade. Improved production technology boosted greenhouse tomato exports from Ontario and British Columbia; sales rose dramatically in U.S. markets, and the tomatoes are being tested for acceptance in Japanese markets.

Processing Sector Gearing Up

A decade ago, Canada's food and beverage processing sector was oriented primarily toward the domestic market, with 8.8 percent of total sales being exported. Since then, processed food export sales have more than doubled. Based on preliminary data, the sector exported some \$9.6 billion-worth of processed food products in 1997.

This is a positive sign of future potential, but despite our increased sales in this area, our market share has declined as world markets have grown in size. This is one reason for the aggressive goals set by sector (See *Going Global*, page 2) which require Canada to **boost exports of processed agricultural products** to 60 percent of total agri-food exports by 2005. Most of this growth is expected to come from our eight priority export markets: the United States (which now buys some 75 percent of Canada's processed food exports), Japan, the European Union, China, South Korea, Taiwan, Mexico and Brazil. Strategies have also been developed for four emerging markets: Philippines, Singapore, Colombia and Russia.

Several processed food sub-sectors are leading the way, by gearing up industry capabilities. For example, the overall export sales for the red meat sub-sector, including beef and pork, was \$3.1 billion in 1997, and much of that growth stemmed from investment in modern packing facilities and expansion of slaughtering and processing capacity, which enables Canadians to compete aggressively with U.S. packers. While the U.S. remains Canada's largest market for red meat, Canada captured a 10 percent share of the Japanese pork market in 1997, and doubled its beef exports to Korea (over 1996 levels).

Products that take on the world

AAFC's Canadian Grand Prix New Products Award showcases Canada's outstanding food products annually. The "All Canadian Award" winner becomes Canada's representative at the prestigious SIAL food show held every two years in Paris. Many have come home with the SIAL D'OR, France's highest food show honor. In 1996, President's Choice "If Chickens Could Fly" Seasoned Skinless Chicken Thigh Cuts from Loblaw's and Aliments Flamingo of Iberville, Quebec, took gold, as did Dempster's three fruit breads, from Canada Bread, Toronto.

The cereals and oilseed sub-sector is constantly renewing itself, with more processed agricultural products being competitively offered in international markets. The malting and oilseed crushing industries have doubled their capacity and export sales during the 1990s.

Despite the ambitious export targets, the **domestic market will remain the most important outlet** for the sector. Roughly 80 percent of its products are consumed in Canada and at the factory gate, the Canadian market has grown by 14 percent since 1993. While importers are increasingly offering Canadian consumers new choices, our own processing sector **could capture \$1.5 billion of the expected Canadian growth** of \$2.0 billion annually. Our success will rest on Canada's continuing ability to develop innovative new products: the sector has an excellent track record in developing the processed agricultural products increasingly favoured by domestic and international consumers.

Some of the growth in this sector, both domestically and globally, will result from large Canadian corporations, but Canada has also 2000 SMEs of varying sizes, able to handle a wide variety of products. Capital investment in the sector has been paralleling or exceeding growth in the United States.

While most signs for the sector are positive, a great deal will depend on an increased emphasis on **partnership**. Partners in the agri-food supply chain include not only producers and processors, but those agencies and groups, such as the Canadian Food Inspection Agency, which have ensured Canada an



excellent reputation for food safety and quality. The Agency, which is the first of its kind in the world, is enhancing Canada's position as a leader in quality control, both through ongoing work with the sector to implement Hazard Analysis and Critical Control Point (HACCP) systems to handle risks, and by working closely with the International Standards Organization (ISO).

Taking on the world: "Rapid Response Teams" promote investment in Canada

When Heinz Bakery Products was looking to build a new North American plant, Canada was just another contender until AAFC staff joined with counterparts in other federal departments and the province of Ontario, to form a Rapid Response Team. The team cleared the way for investment. The result: a new plant in Trenton, Ontario employing 220 people.



Achieving Global Excellence

The challenge for Canada is to expand economic growth and jobs by competing and winning in one of the most competitive environments in the world.

AAFC's agenda for success

The task for Canadians, as laid out by Lyle Vanclief, the Minister of Agriculture and Agri-Food and Minister Coordinating Rural Affairs, is to be nothing less than "world-class competitors... expanding economic growth and jobs by competing and winning in the global market." The challenge, for Agriculture and Agri-Food Canada, is to help Canadians succeed in this environment, which is one of the most competitive environments in the world.

Global Excellence, in the sections which follow, will give stakeholders a clear indication of AAFC's course over the next three years. It defines how the department, together with the sector, can direct the future growth and prosperity of the Canadian agriculture and agri-food sector.

To deal with the complex environment ahead, Agriculture and Agri-Food Canada has made fundamental changes in the way we work individually, with each other, and with the agri-business community. We have set out three core business lines that precisely define where we will place our efforts:

- *Expanding Markets*
- *Innovating for a Sustainable Future*
- *Strong Foundation for the Sector and Rural Communities*

These core business lines fix clearly on targets for sector growth and rural prosperity, and to reach those targets, we are pulling together talents not only from every branch of the department and our sister agencies, but from right across the sector. Our fourth business line, *Sound Departmental Management*, is charged with ensuring that all resources that Canadian taxpayers have entrusted to AAFC — human, physical and intellectual — are appropriately allocated and utilized to achieve results that are valued by the agriculture and agri-food sector and Canadians alike.

The four lines of business serve as a departmental roadmap, providing clarity, strategy and the means by which to meet our goals. Through the business lines, branches and other departmental partners are linked and reliant on each other. AAFC's approach rests on teamwork: combining our forces with portfolio partners and external partners such as producers, food processors and distributors, universities and other federal and provincial departments.

As a result, the Department is now in a better position to report on its accomplishments and improve its contribution to Canadians.

OUR VISION FOR THE CANADIAN AGRICULTURE AND AGRI-FOOD SECTOR

A growing, competitive, market-oriented agriculture and agri-food sector that:

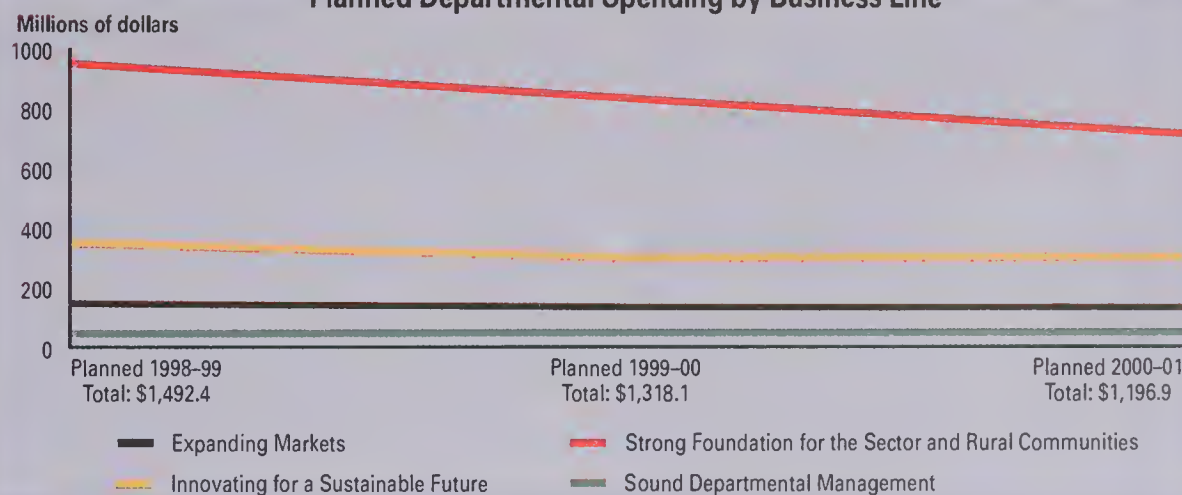
- is profitable;
- responds to the changing food and non-food needs of domestic and international customers;
- contributes to the well-being of all Canadians and the quality of life in rural communities while achieving:
 - farm financial security,
 - environmental sustainability, and
 - a safe, high quality food supply;
- is less dependent on government support; and
- is supported by a foundation of effective policies and infrastructure.

ORGANIZATIONAL RESPONSIBILITY FOR DELIVERY OF RESULTS

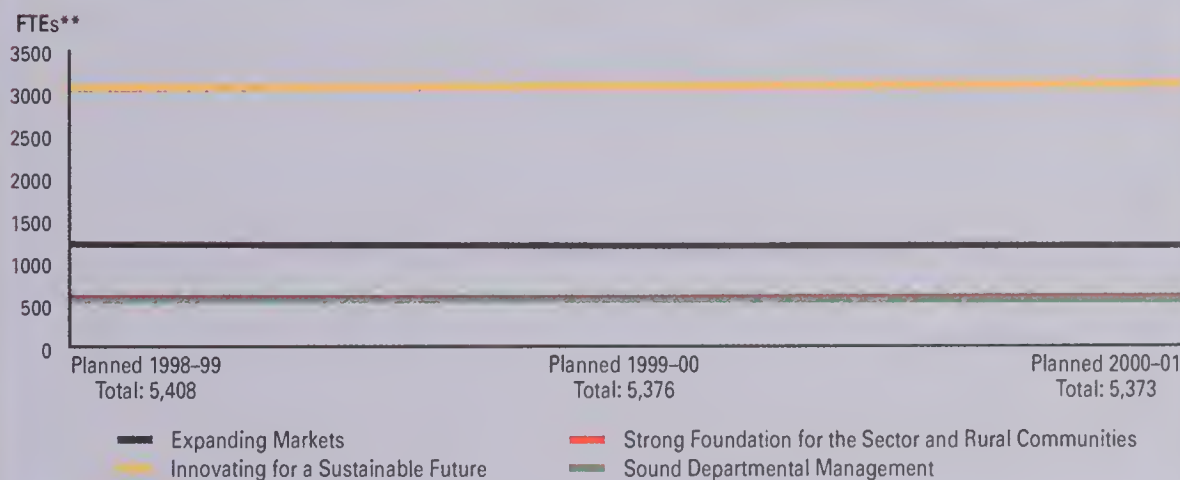
BUSINESS LINES	PRIMARY	CONTRIBUTING
EXPANDING MARKETS	Market and Industry Services Branch	Research Branch Policy Branch Canadian Grain Commission
INNOVATING FOR A SUSTAINABLE FUTURE	Research Branch Prairie Farm Rehabilitation Administration Policy Branch	Market and Industry Services Branch
STRONG FOUNDATION FOR THE SECTOR AND RURAL COMMUNITIES	Policy Branch Prairie Farm Rehabilitation Administration	Research Branch Market and Industry Services Branch
SOUND DEPARTMENTAL MANAGEMENT	Corporate Branches ⁽¹⁾ Legal Services Executive Offices	Line Branches

1. Corporate branches include Corporate Services, Communications, Review, and Human Resources.

Planned Departmental Spending by Business Line



Full-time Equivalents (FTE's) by Business Line*



* Excludes Order in Council Appointments and Minister's exempt staff.
 ** FTEs are a measure of Human Resource usage.

Expanding Markets

Working with industry and other partners to improve and secure market access; to enable the agri-food sector to capture opportunities for trade in domestic and export markets, with a focus on processed agricultural products; and to increase domestic and foreign investment in the sector.

Tackling the markets

Building on the agri-food industry's \$22.3 billion in export sales success in 1997, Canada is well positioned to meet industry's aggressive export goals. We intend to use Canada's strong domestic market position as a springboard to even greater international success.

The Team Canada Approach

Meeting those goals will require a strong team approach, and in February 1998, AAFC, the Department of Foreign Affairs and International Trade, and Industry Canada together launched Team Canada Inc, a "storefront" for easier access to the group's programs. Team Canada Inc is a key aspect of the group's International Business Development Strategy, which integrates federal policies, programs and services to support Canadian exporters and their products. Team Canada Inc's Business Centre can be reached at 1-888-811-1119.

Market Access: Trade agreements spur growth

Improved and more secure **market access** is crucial to success. AAFC works with other Team Canada Inc departments to negotiate and implement international trade agreements and resolve barriers to domestic and international trade.

AAFC plays a leading role as an international negotiator for the agriculture and agri-food sector. We focus not only on maintaining access to our major traditional market, the United States, but will also devote considerable effort to negotiations relating to the accession of China, Taiwan and many other countries to the World Trade Organization.

Canada is also the chair of the Trade Negotiations Committee, which will guide negotiations for the Free Trade Agreement of the Americas (FTAA) in

1998. The FTAA, launched at the April 1998 Summit of the Americas, is expected to be concluded by 2005.

On the multilateral side, Canada has an important role to play in World Trade Organization (WTO) agriculture trade negotiations. (See *Playing by the Rules*, page 7)

Breaking down trade barriers

As well as opening new markets, AAFC aggressively safeguards the Canadian agri-food sector's existing market access, defending our interests around the globe. In addition to working to settle disputes with our traditional trading partners (including the United States), we will increasingly build sector priorities into trade policy, and work to resolve or reduce technical or other trade barriers. We will continue, for example, to seek greater compatibility with our largest partners: this means pushing for a level playing field in pesticides, in labeling, in product standards and in food health and safety.

Equivalency in regulation is important not only to protect consumers and the environment, but to smooth the way for a sector which has traditionally been frustrated by inequalities and the large number of regulations and regulators even within our own country. AAFC and its partner, the Canadian Food Inspection Agency, are simplifying laws and regulations, to make them more conducive to the growth we seek. The new single Food Act, for example, will bring together various federal acts while laying out a template for provincial legislation.

Expanding Markets: 3 Keys to Market Success

Key Expected Results

Market Access

- Negotiating trade agreements
- Resolving barriers to domestic and international trade
- Advancing Canadian interests through the activities of international bodies

Market Development

- Coordinating a strategic federal, provincial and industry partnership approach to export market development
- Providing programs and services to promote growth in export and domestic markets for both products and companies
- Fostering supply chain management and development of alliances as means to improve industry competitiveness

Investment

- Coordinating a strategic approach to investment in Canada's agriculture and agri-food sector with all levels of government
- Providing programs and services supporting alliances to encourage domestic and international investment in the Canadian agriculture and agri-food sector
- Supporting the Canadian agri-food sector with a view to increasing its capacity and capability to supply competitive products

Products that take on the world

ANUGA, the king of food fairs, is held every other year in Cologne, Germany. In 1997, a record 71 Canadian companies participated. The result: \$27 million in onsite sales, and expected sales over the next year of another \$66 million.



Playing by the rules:

International agreements build world trade

"We can't bully our way around with countries larger and more powerful than us. That's a losing proposition. We have everything to gain by striving for trade rules that apply equally to all."

Minister Vanclief to the Canadian Federation of Agriculture, February 27, 1998

Today's more liberal trade environment has benefitted Canada, more than doubling our two-way agri-food trade with the United States, for example, since the original Free Trade Agreement came into effect in 1989. Additionally, trade with emerging markets in Asia and Latin America has increased since the successful conclusion of the Uruguay Round of the GATT in April 1994 and the creation of the World Trade Organization (WTO).

This success is thanks in large part to trade rules, which create a level playing field for global competitors. Canada used those rules to successfully defend Canada's system of tariff equivalents before a NAFTA panel in 1996, and is currently preparing to defend our dairy export pricing system against the latest U.S. challenge, this time at the World Trade Organization.

Canada has consistently pushed for a more open, rules-based international trading environment. Although Canada is a relatively small player in world agricultural trade, we can win internationally when all countries know — and play by — the rules. Our overall goal is to ensure that the trading framework provides a predictable and secure basis for growth.

AAFC is encouraging sector participants to think about their interests in the agricultural trading system. The Standing Committee on Agriculture and Agri-Food is conducting "take-note" hearings that will help the sector identify these interests for the upcoming WTO agriculture negotiations in 1999. And in spring 1999, AAFC and provincial governments will host a federal/provincial/industry conference to help craft Canada's negotiating position.

Removing internal trade barriers: It's not small potatoes

Five years ago, legislation did not permit the shipping of small potatoes between provinces. The only markets for these potatoes were invariably close to production areas, and generally, modest. Gradually, consumer demand grew, but producers were leery of changing the system: would out of province competitors encroach on local turf? To gauge the extent of the problem, AAFC consulted with the Canadian Horticultural Council, and established test markets. The tests look good and a permanent grade for small potatoes is likely to be established under the *Canadian Agricultural Products Act*, permitting easy flow between provinces.



Market Development: Sector targets demand brisk pace

Working with the sector, the provinces and Team Canada Inc partners, AAFC will place special focus on market development. Specifically, this means among other things, increasing collaboration with the Canadian Agri-Food Marketing Council and the Federal/Provincial Market Development Council, and aggressive programming through the agri-food arm of Team Canada Inc, the Agri-Food Trade Service. (See *ATS: Paving the Way to Japan*, page 8.)

Our key targets are the eight priority markets in which Canada has a firm foothold. The United States, for example, is our largest market, buying more than half of Canada's exported goods, and three-quarters of our processed agricultural exported products. In a decade, we have substantially increased our **consumer-oriented exports** to that country, and we intend to do more.

We are in the process of implementing three-to-five-year action plans to improve our performance not only in the United States, but in all eight priority markets (including Japan, the European Union, China, South Korea, Taiwan, Mexico and Brazil), which accounted for almost 85 percent of the value of Canadian exports over the past four years (1992-96). And, recognizing the importance of diversifying into dynamic newer markets, we have worked broadly with sector partners and provincial governments to develop strategies for emerging markets, such as the Philippines, Singapore, Colombia and Russia.

World-class products

As a springboard to increasing Canada's exports, AAFC is working on the domestic front to encourage improved competitiveness, and position Canada as the supplier of choice for the 21st century. To

enhance Canada's image as a reliable supplier of **internationally competitive products**, AAFC and industry will participate in at least eight of the world's key food shows, including SIAL, ANUGA and FOODEX. And a Ministerial mission to Latin America in September 1998, helped to promote Canada as a world class supplier of agriculture and food products.

Building market understanding

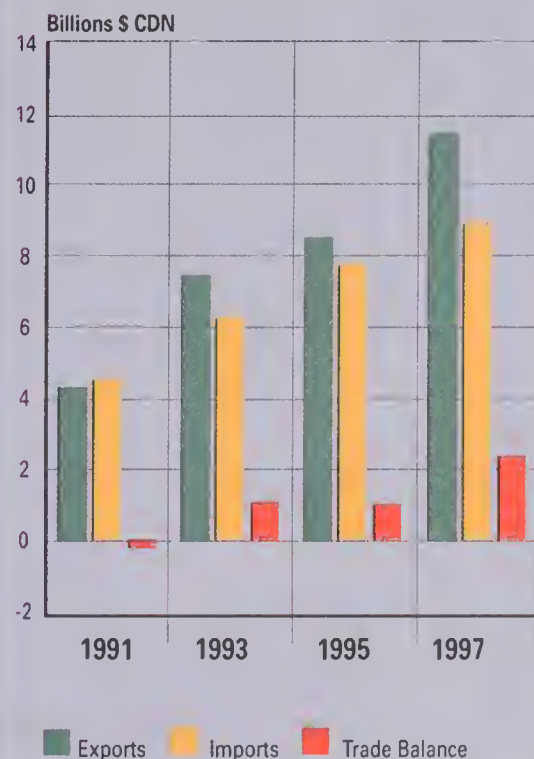
Export success is built on a sound understanding of markets. AAFC provides consultative services and advice to clients Canada-wide, helping them become export-ready. Today, as part of the Agri-Food Industry Strategies (AIMS) process, we work with 28 different agri-food industries and associations on strategic trade development initiatives. The "New Market Development Framework for Dairy", for example, gives all dairy industry stakeholders a voice in developing a long-term, industry-led national dairy export strategy. The industry is targeting world markets for dairy products, especially in the processed agricultural products class.

Improving competitiveness

A successful sector is a responsive industry, one which both understands consumer demands and is ready and able to supply them at a competitive price, both at home and abroad. Domestic consumer expenditures are growing by about 3.5 percent per year, and the Canadian food processing sector could capture, on average, \$1.5 billion annual growth.

Success in the domestic market is essential if we are to take full advantage of growing export markets: by doing a first rate job in servicing the Canadian market, we build our ability to succeed

Canadian Agri-Food Exports to the U.S.



in competitive markets everywhere. We are working closely with the provinces and with the Canadian Agri-Food Marketing Council to improve Canada's ability to meet evolving market requirements. This includes an analysis of government services and programs to assure they are meeting sector needs.

Spurring Investment: Building the right climate

Canada's primary challenge for the 21st century will be to develop a supply of the right products in sufficient volumes to meet buyers' needs, particularly in processed agricultural products. To keep up with the market demand our sector expects to generate, Canada must attract **investment**.

AAFC is focusing particularly on the food processing industry, working to precisely define the role of investment in developing its supply capability. And in close partnership with the provinces, we have developed a Federal/Provincial Agri-Food Investment Strategy to retain existing investment and promote new investment. It was presented to

Pork exports double

Building market readiness means specialized work with exporters in every region of Canada. Working with Canada Pork International, for example, AAFC contributes funding from the department's Agri-Food Industry Market Strategies (AIMS), as well as international trade policy support and participation on trade missions. The joint effort has contributed to a 100 percent increase in pork exports since 1991.

Investment Excellence

Canada is a prime location for business investment, says KPMG, an international consulting firm. It has lower business costs than the United States and five leading European countries — France, Germany, Italy, Sweden and the United Kingdom.

the Federal/ Provincial/Territorial Ministers of Agriculture during their annual conference in July 1998.

Our goal is to improve the investment climate and promote Canada's advantages as an investment location. We intend to broker more investment matches — bringing international and domestic investors together not only with small and medium-sized agri-food businesses, but with Canadian multinational enterprises.

In the coming years, the joint committee will develop a work plan to collaborate on issues including supporting Canada as a choice investment site and addressing barriers to investment expansion. Export success depends, as well, on intensive work to increase the scale of many of our food processing plants, and speed up the adoption of new technology. This means providing the domestic sector with better access to investment capital. It means developing rural adaptation initiatives as a vehicle to bring about change in our sector, and it means fostering alliances between sectors and governments, and between sub-sectors of industry. As well, AAFC will provide guidance to the sector, through international analysis of key sectors, to assess our Canadian competitiveness, including the challenges posed by emerging competitors and the strengths on which we can build.

The Agri-Food Trade Service (ATS):

Paving the Way to Japan and Beyond

When the ATS introduced Canadian agri-food companies to a major Japanese buyer last fall, the Canadians, alert to market possibilities, did some product modifications to suit Japanese preferences. The result, three scant months later: several millions of dollars-worth of new export sales, despite the downturn in the Asian economy.

The ATS, which was three years old in June 1998, provides a single-window, federal export trade service, dealing with Canadian businesses from their initial inquiry right to the international marketplace. ATS offers access to staff in regional offices and to national experts, and linkages with agri-food trade specialists in Canadian embassies abroad. It brings together a number of players to ease the way: Economic Development Corporation, Atlantic Canada Opportunities Agency, Western Diversification Office, Canadian Economic Development Agency for Quebec Regions, and Industry Canada.

ATS Online, the Internet website (<http://atn-riac.agr.ca>) which includes not only trade leads and market information but a database on foreign buyers, is estimated to serve over 1200 clients per month plus an additional 500 visits to the foreign buyers' database. ATS Online is directly linked to **ExportSource** (<http://exportsource.gc.ca>), developed by Team Canada partners to link Internet sites government-wide, and provide immediate export information on regulations, financing, statistics, trade shows, missions and more.



Access Latin America

They came from Argentina... Brazil... Chile... Colombia... Mexico... Panama... Venezuela! During one week in February, 1998, 25 buyers and nine Trade Commissioners representing some of Latin America's largest and most influential agri-food companies left the summery southern hemisphere to visit Toronto, Montreal, and Moncton. The result of the mission, for Canadian suppliers: close to 700 one-on-one meetings to help Canadians "Access Latin America".



Innovating for a Sustainable Future

Working to support the sector's efforts to develop and produce competitive products and processes in an environmentally sustainable manner.

Toward a competitive, sustainable future



Long-term competitiveness depends on innovation — and Canada's agriculture and agri-food sector is emerging as one of the most innovative, knowledge-intensive sectors in the marketplace. But to maintain a world-class reputation for innovation requires investment. If Canada is serious about growth, it has to invest its resources where Canadians get the greatest benefit for the sector.

Analysis shows that the best returns are from agri-food research. (See *Accounting for Canada's bread basket*, page 10). The agri-food sector spends \$1 billion on agri-food research and development with AAFC investing \$353 million in 1997–98.

Innovating: Adding Value

AAFC's world-wide reputation for agricultural research is earned through a continual pursuit of excellence. Over the next three years, for example, we will introduce the first mustard producing canola-quality oil, and a high-protein soybean variety for eastern Canada — both reflecting what producers need to meet the needs of a changing market.

Our R&D focuses not only on crops, but on reducing input costs, while improving what we

produce and how we produce it. That includes safety, both of our products and our processes. It includes environmental sustainability, helping Canadians conserve our soil, water, air quality and genetic resources. (See *Products that take on the world*, above.) And it includes finding added value in familiar products — such as our work to license, by 2000, the pharmacologically active component of flax, and technologies for natural flavours and colourants.

Products that take on the world

A Canadian innovation, a seeding mechanism designed to operate in untilled soil, is now selling world-wide. That's the domino effect at work: innovative farming practices which are good for the environment, lead to new products, which are marketed abroad and here at home.

Australia is fertile ground for some Canadian oat varieties, and that means money ploughed back into Canadian agricultural research. Thanks to their superior disease resistance, the Dumont, Riel and Robert oat varieties developed by AAFC's Cereal Research Center in Winnipeg have captured about 15 percent of the seed market in northern Australia. Royalties generate about \$10,000 a year. (AAFC publication excerpt, *Agri-Beat*)

Innovation through strategic partnership

We intend not only to keep up our own investment in R&D, but to stimulate greater investments throughout the sector. Today, industry contributes little more than 20% of total research and development efforts in agri-food. And while, Canada-wide, research investment in the agri-food sector is growing, so is the sector's Gross Domestic Product. Therefore, the total investment from public and private sources, as a percentage of GDP, has remained the same since 1991, at 2.7%. While this is better than some other sectors, we can improve our performance, particularly through more effective partnership.

AAFC focuses its research specifically on activities that the private sector, working alone, cannot undertake at a profit. AAFC's Matching Investment Initiative (See *Collaborative Investment*, page 10) has been a major success since it was launched about three years ago. Investments, which have consistently shown annual growth, are projected to reach \$70 million annually by the year 2000.

Our thrust is to work increasingly with industry. The Prairie Farm Rehabilitation Administration, for example, is managing our \$64-million contribution to the Canada-Saskatchewan Agri-Food Innovation Fund, launched in 1997. It is a \$91 million, industry-led initiative which specifically supports new and emerging commodities and value-added production.

I N B R I E F

Innovating for a Sustainable Future

3 Keys to Success

Key Expected Results

Innovation

- Offer services & technologies that conserve soil, water, air quality, and genetic resources
- Increase collaborative research between industry and the department
- Introduce
 - stress-resistant crop varieties and new crop protection and production systems
 - new animal production and protection systems
 - new value-added food and non-food products and processes

Sustainable Resource Use

- Assess/manage land and water capabilities for sustainable use
- Increase knowledge and adoption of innovative resource-based information into agriculture and agri-food systems
- Increase contribution of the sector to international environmental commitments

Integrated Policies and Decision-making

- Implement an environmentally-sound agri-food policy framework
- Provide information to support environmentally sustainable agri-food decision-making

Collaborative Investment:

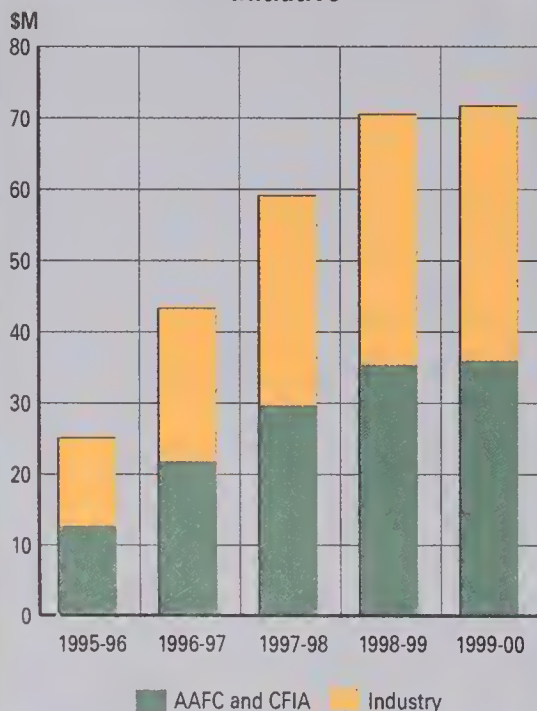
The fragrant scent of success

Canada is poised to become a much bigger player in the world vanilla trade, thanks to research at the Food Research and Development Centre in Saint-Hyacinthe, Quebec. The center, which is always on the lookout for processed agricultural products, teamed with the Canadian subsidiary of the Swiss-based company, Givaudan-Roure Inc., to find a way to boost vanilla production. Givaudan-Roure accounts for about 10 percent of the world market in the high-value vanilla industry.

After two and a half years of careful lab work, the AAFC researchers developed bioprocessing techniques that increase the bean's output by seven percent. With this new technology, the company is concentrating its world vanilla output at its plant in Brampton, Ontario, employing 80 people.

The project is just one of many hundred collaborations. Today, many joint projects are undertaken under the Matching Investment Initiative (MII) with contributions from the Canadian Adaptation and Rural Development Fund (CARD). Through MII, the department matches, dollar-for-dollar, the investments of industry in projects ranging from the development of new soybean cultivars for soymilk, to creating flavour enhancers for yeast, to perfecting screening techniques to find the ideal yellow-pigmented durum wheat for pasta noodles. The MII, introduced in 1995 with a budget of \$12.5 million, generated 500 projects in the first year, which translated into more than \$23 million in combined government/industry investment. Some 886 projects were undertaken in 1997-98, and budgets have grown steadily, to \$35.2 million in 1998-99 (including AAFC and CFIA) for a total government-industry investment that could reach over \$70 million. Investment for the following two years will be \$35.8 million each. (AAFC Publication excerpt: *Agvance*)

Matching Investment Initiative



Accounting for Canada's bread basket

Using conservative estimates, university and federal economists have concluded that wheat research provided a return on investment of 34 percent — a net benefit per year of \$377 million. Fully 80 percent of that research was undertaken by AAFC.

Research builds our ability to be competitive internationally. Over the next three years, AAFC will introduce the first hard white spring wheat variety, as well as a high-quality winter wheat variety, a prairie spring wheat with a significant improvement in protein content and another with Fusarium Head Blight resistance.

The Fund includes both mega-projects and more tailored programs, such as the five pilots PFRA is conducting in partnership with producer groups and Aboriginal Peoples: they are using the GIS (Geographical Information Systems) to build understanding of specific district landscapes, and spell out options for diversified cropping in the areas.

A catalyst for excellence

Much of AAFC's work is done through our network of 18 research centres, each with a specialized research focus reflecting industry strengths of the region where it is located. These centres of expertise are often the catalyst for industry growth. Research and innovation benefit from this clustering of specialized areas of research, which assembles a pool of knowledge and expertise in one area.

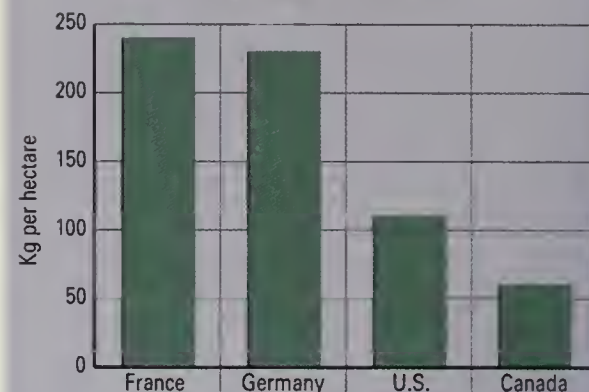
Saskatoon, for example, is becoming a world leader in agricultural biotechnology, and many of the department's top molecular biologists are now working in our research centre there. A growing number of companies, including multi-nationals, are coming to Saskatoon because this is where leading-edge research is developing. We are building on this momentum, which gives Canada the jump on many of its competitors: we are well positioned to catch the wave of new genetically engineered crops. The Oilseeds Section, for example, uses conventional breeding techniques and biotechnology to develop elite germplasm of Brassica species with traits that will maintain and enhance Canada's international competitive position in the production of Brassica-based oilseed crops. Our international reputation is enhanced by stringent Canadian

Midge Alert! Predicting the future — Saskatoon style

Environmentally friendly solutions can help farm balance sheets. A serious wheat midge problem on the prairies led AAFC researchers at the Saskatoon Research Centre to develop a biological control system that reduces midge numbers by 30-80 percent. The program rests on the development of a Wheat Midge Forecast Map that allows farmers to concentrate on prevention, rather than relying on chemical control. Not only does the biocontrol system improve farm productivity; it improves the long-term health of the land.

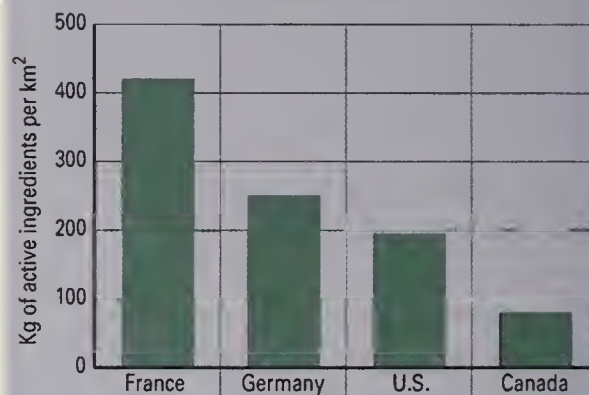
Canada uses less fertilizer and pesticides than many other countries

Fertilizer Use (1993)



Source: OECD Environmental Data: Compendium 1995.

Pesticide Use



Source: Latest available data in OECD Environmental Data: Compendium 1995.

regulation and safety assessment conducted by the Canadian Food Inspection Agency.

Sustainable Resource Use: Economic and environmental objectives converge

In today's world, innovation alone is not enough. The challenge is to encourage **adoption** of research technologies and innovative farm and food processing practices that give Canadians a competitive edge *today* without endangering the resource base on which tomorrow's productivity depends. (See *A Canada-wide revolution in seeding practices*, page 11.)

Innovative solutions for land and water management must provide producers with environmental benefits and afford them greater economic security over the long term. The Prairie Farm Rehabilitation Administration, which advises and participates in community-based resource planning, works for example, to control soil erosion and maintain soil and water quality. We are producing a Prairie-wide assessment plan for land-based issues facing the sector, developing programs to increase awareness of environmental issues sector-wide, and working to maintain the biodiversity of federally controlled and private rangelands.

Integrating Policy and Decision-Making

Increasingly, economic and environmental considerations need to be integrated into Canada's policies and decision-making. Our role is to provide leadership and direction. Maintaining biodiversity is a key issue for the health of Canada's environment, for

Protecting the Environment

A Canada-wide revolution in seeding practices

Farmers are protecting their land — and their bankbook — simultaneously.

Today, more and more, it's HOW you plant that counts. Canadian farmers are increasingly adopting zero tillage — a production system for directly seeding crops into last year's stubble, with little or no disturbance of the soil.

According to AAFC's Prairie Farm Rehabilitation Administration, zero tillage and other types of reduced tillage practices herald a revolution in seeding practices. The new environmentally friendly farming practices are taking hold on Canadian farms. In west central Saskatchewan alone, use of zero or minimum tillage was dramatically up in 1998. It was used on over a quarter of all seeded fields (previously in crop or fallow), and on almost half of the stubble seeded fields (previously in crop).

Reduced forms of tillage are a type of risk management for the future, in that the system is a more sustainable way of farming — economically and environmentally. Incorporating a zero tillage production system on a farm saves the producer input costs (less tillage means smaller fuel bills, lower machinery depreciation and significantly less time and labor), while reducing soil erosion and improving wildlife habitat. And over the long term, it improves the soil itself, resulting in higher organic content and higher microbial action. The benefits go far beyond farm boundaries. Building up carbon in the soil helps reduce overall greenhouse gas emissions, and fewer tillage passes on the tractor means reduced air pollution.

Tomatoes in the Rye

AAFC scientists are planting processing tomatoes directly into rye stubble. Why? Rye cover not only keeps the soil in place and contributes organic matter: it also acts as a thermal blanket to protect delicate plants on cool spring nights, and keeps the soil moist during the dog days of summer. There's more: the rye emits an odor that confuses the arch-ravager of tomatoes, the Colorado potato beetle, and the stubble is an ideal habitat for the beetle's predators. The result: less pesticide use.

Helping pork producers be good neighbors

Wondering how to create a menu for pigs that not only serves them well but cuts down on the pollutants in pig manure? AAFC researchers, working in collaboration with private industry, have some of the answers. Just punch the appropriate variables into the computer at the Dairy and Swine Research and Development Center in Lennoxville, and the PorcExpert program will come up with the ideal feed formulation. Fully 40 percent of excreted nitrogen can be cut back with the right menu, and it costs just 2 percent more than the usual diet.

But since transferring technology to the industry depends on getting the word out, these and other research discoveries are profiled on **Earth Tones**, a television series focusing on environmental science. Composed of 16 six-minute vignettes, the series airs weekly on the Discovery channel, highlighting scientific accomplishments at AAFC and Environment Canada.

These initiatives are only a small portion of AAFC's work with industry. With \$2 million in funding under the Canadian Adaptation and Rural Development Fund, AAFC is developing a Hog Environmental Management Strategy with the pork industry and the provinces, to ensure the industry grows in a sustainable manner. Together, we are seeking innovative solutions to the environmental challenges of pork production.

Agriculture in Harmony with Nature

AAFC's sustainable development strategy, *Agriculture in Harmony with Nature*, establishes goals and a 3-year action plan for agri-environmental sustainability. The strategy, which was developed in consultation with over 800 industry representatives, focuses on understanding where our best contributions to improving sector environmental performance can be made, using science as the base for solutions, promoting sustainable practices and building on our environmental strength in the world marketplace. For example:

- The newly-established National Soil and Water Conservation Program is a two year, \$10-million fund under the Canadian Adaptation and Rural Development Fund (CARD) to address environmental sustainability issues. Projects include planning for better environmental management on the farm, improved manure management, and conservation clubs to reduce the impact of farming on watersheds.



example. AAFC will be working with industry and government partners over the next two years to implement AAFC's Biodiversity Strategy.

To improve decision-making, both within government itself and at the farm gate, we provide scientifically sound information and analysis. (See box, *Agriculture in Harmony with Nature*.) We will continue, for example, to work extensively with industry and the provinces to develop agri-environmental indicators, and publicize the data. Information, such as that provided by timely soil and water indicators, provides farmers with useful "snapshots" of how they're doing, and are important for good on-farm decision-making.

AAFC deals, as well, with issues that have a global impact, such as climate change. (See box: *Taking care of the land*.) And we examine policies that affect the sector as a whole. For example, the Farm Income Protection Act requires environmental

assessments of all federal safety net programs for agriculture. AAFC researchers and policy analysts have established an innovative approach to this work, which we use to conduct environmental assessments of all policies and programs that are of public concern or of environmental concern. We will also assess new policies or those that are being revised.

The decisions we make have to be good for the economy and for the environment. That's the cornerstone of our department's policy and the foundation on which our farm families and our food industries depend.

Taking care of the land means taking care of the climate

First, the good news. Over the last decade and a half, emissions of greenhouse gases from soils have decreased substantially, largely because of improved land management practices. (Agriculture is estimated to contribute 12 percent of Canada's annual emissions). In fact, there is now potential for soils to act as a carbon dioxide sink.

Next — more good news. Working with industry and environmental groups, AAFC is developing a practical step-by-step plan to better our performance. We have established a Table of Experts to advise government on climate change analysis, and are helping shape a national climate change strategy that is mindful of the impacts, contributions, and solutions from the agriculture sector. The goal: to help Canada meet the commitment it made in 1997 in Kyoto, to reduce its emissions of greenhouse gases from 1990 levels by six percent by 2008–2012.

Strong foundation for the sector and rural communities

*Working to enhance
the sector's economic
viability and self-reliance,
while strengthening
opportunities for rural
development*

Tools for a competitive 21st century

In our work to build strong foundations for the industry and to strengthen rural communities, Agriculture and Agri-Food Canada directly touches individuals all across the country — whether through safety net and adaptation programming, through regulatory policies to boost the competitiveness of the agriculture and agri-food sectors, or through the federal government's increasing emphasis on rural development.

Our goal is to establish the business climate needed to support industry and rural communities, by developing concrete programs to encourage innovation, risk-taking and, increasingly, self-reliance.

Policy Framework: Keeping Pace in a fast-moving world

Canada's agriculture and agri-food **policy framework** provides a foundation that enables agriculture and agri-food industries and our rural communities to keep pace in a fast-moving world. The current generation of national safety net programs is helping producers manage risk, and adaptation initiatives are providing funding and assistance to help them flourish in an evolving business climate.

Many positive factors have been at work, including good market prices and low interest rates. But record market prices are expected to dip in 1998. AAFC's role is to help farmers manage that risk through a new generation of agricultural safety nets. These programs are widely used by farmers to cushion against significant drops in income due to bad weather or poor markets.



I N B R I E F

3 Keys to Success

Key Expected Results

Policy Framework

- Helping producers **manage their own risks**, and encouraging sector stability
- Developing a responsive, self-reliant industry, able to adapt to a changing business environment (with a renewed set of adaptation programs)
- Maintaining marketing and regulatory policies for:
 - the dairy, poultry and eggs industries (production, marketing, processing), and
 - raw and processed grain and oilseed products (production, marketing, transportation and handling)
- Integrating agri-food interests into social and economic policies and programs across federal departments

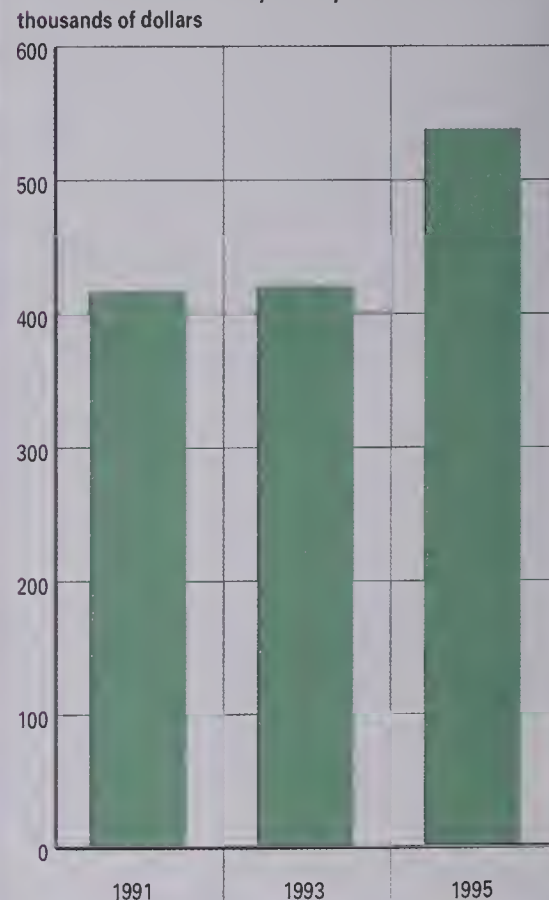
Rural Economy

- Incorporating rural considerations into federal policies and programs
- Utilizing service delivery mechanisms that increase rural awareness of and access to federal initiatives
- Extending funding and technical support to help build rural infrastructure, so as to attract new, diverse businesses and build rural/sector self-sufficiency

Co-operatives

- Developing a legislative environment that allows co-operative businesses to respond to members' needs, while maintaining their uniqueness

**Average Net Worth per Farm, Canada
1991, 1993, 1995**



Managing risk with a new generation of safety nets

Over the last years, safety nets have changed to better suit today's market realities, shifting from individual commodity protection to a "whole farm" approach. With the Net Income Stabilization Account (NISA), for example, producers have the opportunity to put money aside when times are good, as a hedge against a down turn in the market. More than 130,000 producers have deposited some \$2.4 billion in their accounts. In combination with federal/provincial Crop Insurance Programs and more targeted province-specific companion programs, NISA lowers the long-term variations in net income, and facilitates stability in the sector.

The Government of Canada invests \$600 million each year in safety nets, with the provinces spending an additional \$400 million. The National Safety Net Review Committee, established in December 1997, is leading a comprehensive exploration of NISA and other safety net programs to review and strengthen these programs. The Committee, which includes representatives from all major farm organizations, is seeking the best mechanisms to support the financial well-being of Canada's farmers. It is now in the process of finalizing its report to the Minister. This report provides an assessment of current programs and makes suggestions for changes. It will indicate farmers' priorities for future safety nets and outline the principles deemed important in establishing future directions. The income-based disaster programs implemented in three provinces are being assessed for suitability as part of this overall examination.

How industry-led adaptation councils work

To bring decision-making to the grass roots, AAFC turned administration of approximately 40% of the CARD Fund, or some \$100 million, to industry-led adaptation councils in each province and territory. The adaptation councils, which are made up of a broad spectrum of industry representatives, set funding priorities, make allocation decisions and manage their share of CARD funding, to address self-identified areas of concern.

- With CARD funding from Ontario's Agricultural Adaptation Council, the Ontario Sheep Marketing Agency is able to apply new reproductive technologies, which would not have taken place otherwise. The project will strengthen the sheep industry infrastructure through systems for flock health accreditation and breeding strategies.
- The British Columbia Investment Agriculture Foundation provided CARD Fund support to the Okanagan Federated Shippers Association, to boost the long-term viability of the BC apple sector through examination of factors affecting Braeburn Browning Disorder. By improving product reliability, this project is helping to build a diversified industry.

Products that take on the world

Venison, anyone? Northern Fine Foods, a partnership of three Ontario-based food processing companies, is producing higher-value specialty game meat products for domestic and international markets. The company received the boost it needed with seed funding from AAFC's \$60 million per year Canadian Adaptation and Rural Development Fund (CARD).

Adjusting to today's economy

This business line is also about responding to change and maximizing the opportunities flowing from new international trade agreements, advances in science and technology, and changing markets.

At AAFC, the four year \$60 million per year Canadian Adaptation and Rural Development (CARD) Fund was launched in 1995 to strengthen the sector's economic performance and capacity to adapt. Through 23 national initiatives and 13 industry-led provincial adaptation councils, the CARD Fund supports the sector's efforts to adapt in areas where it would be difficult to do so alone.

It works through government-industry partnerships and strategic alliances. For example, CARD Fund provides \$11 million to the Canadian Food Inspection Agency, to assist the processing sector in implementing Hazard Analysis and Critical Control Point (HACCP) standards. HACCP standards are encouraged by the World Trade Organization to assure food safety. CARD also provides support to the Canadian On-Farm Food Safety Program, through which national commodity associations help initiate food safety procedures at the farm level.

Since the current CARD strategy will end in March 1999, a comprehensive consultation process is eliciting feedback to help lay out a strategy for the future. Priorities highlighted to date include capturing market opportunities, innovation as a foundation for competitiveness, food safety and quality, environmental sustainability, rural development, and human resource capability. The next generation adaptation strategy, envisioned for post-1999, will lay the foundation for future growth and adaptation through enhanced competitiveness and self-reliance.

Evolving supply management

The dairy, poultry and egg supply management systems, which balance supply with demand, continue to evolve. While their basic legal framework

Partners in Change



Canadian Adaptation and Rural Development Fund

is provided nationally, the operational structure is mainly in the hands of provincial boards and agencies. AAFC continues to support and encourage the sectors' evolution: change is evident in the development of export programs for processed products, and in the more flexible allocation of production quotas between provincial boards and among producers.

Reforming grains and oilseeds policy

Close working relationships with industry characterize AAFC operations across the sector. Since the elimination of the Western Grain Transportation Act subsidy and reform of other transportation legislation, AAFC has worked with the Canadian Wheat Board and the Ministry of Transport, to forge a more effective grain transportation and handling system — one that provides customers with the products they want, when they want them. This means promotion of industry-led initiatives to maintain quality and on-time delivery, at costs no higher than our major competitors. We are contributing to a comprehensive review of the grain handling and transportation system for western grain, to be completed by 1999-2000.

New uses, new markets

The Canadian Agricultural New Uses Council accelerates the development of new food and non-food uses of agricultural products. With a \$200,000 grant from the CARD Fund, CANUC is building a strong base which will help elicit funding from other sources. The Council promotes R&D and practical applications. The net result: new products to take on global markets.

The Canadian Rural Partnership

\$20-million to help equip rural communities to compete in the global economy

The Government of Canada is acting on its commitment to increase opportunities for rural Canadians and to adapt programs to reflect rural realities, by confirming funding of \$20-million over four years for the Canadian Rural Partnership (CRP).

The CRP is, first of all, about operating differently within the federal government. The goal is to ensure federal coordination, building a network of support for rural communities. The fund will pay for community development projects, building on ideas from government and non-government organizations.

For 1998-99, \$3.2 million will fund a series of pilot projects that test new ways of dealing with rural issues, such as better access to investment funds, better access to quality health care, and better service in rural areas. An advisory panel of rural Canadians will help select the projects, which will be partnership-based, with CRP funds used to lever support from additional departments and agencies and other rural sources. The projects will help to enhance the quality of life in rural communities, and better equip them to compete in a global economy.

The rural lens

This collaboration led to the development of the "rural lens" announced in February 1998, through which federal departments and agencies have agreed to consider the impact on rural Canadians of future policy, programs and service decisions. In 1998-99, the federal government will focus on incorporating rural considerations into economic policies, using a checklist developed by AAFC; for 1999-2001, our focus will be expanded to include federal social policies and programs.

The government is actively soliciting rural opinion as part of its commitment to better appreciate rural issues and tailor programs and services to rural needs. Canadians were invited to take part in the "Rural Dialogue" by participating in regional Rural Dialogue workshops or by filling out a workbook. Information from the two activities was used to identify issues for discussion at the National Rural Workshop, held in Belleville, October 2-4 1998. Rural Dialogue documents are available from the government's new rural website (www.rural.gc.ca).

Accessing the knowledge-based economy

Increasingly, federal departments are joining together to give rural communities the tools they need to participate in the global knowledge-based economy. This is one of our top priorities in rural Canada, where nine million of us live.

While a great many federal programs are available to help Canadians build knowledge and acquire



skills, rural Canadians are not always aware of them or, due to other factors, do not have the same access as those from urban centres. Our challenge is to ensure that all Canadians have access to the tools necessary to prosper in our economy.

AAFC's Rural Secretariat, together with the Canadian Agricultural Library, manages the Canadian Rural Information Service. It will continue to provide rural residents and communities with access to current information regarding policies and programs, conferences and meetings, and key information on rural-focused subjects. In response to enquiries, for example, we will create "pathfinders" to information, such as those already developed on rural tourism, entrepreneurship, opportunities for rural youth, recruitment of rural doctors, and microcredit.

To better inform rural people, we are expanding *At Work in Rural Canada*, a Rural Resource Book which was a best-seller in its first edition in 1997. The resource book now provides information on over 200 federal programs and services available to rural Canadians. The 1998 edition is produced as a handier pocket dictionary of programs, and is available in electronic format. It will be available through federal government offices and through 5000 rural outlets of Canada Post.

At AAFC, we are paying particular attention to how we deliver information, to ensure it gets to rural people. ACEIS is an electronic information system developed by AAFC that provides a window for agriculture and agri-food information across Canada. AAFC, through the Rural Secretariat, is working closely with Industry Canada's Community Access Program (CAP), which will link 5000 rural and remote communities to the Internet by the year 2000. As part of the Canadian Rural Partnership, we are also exploring additional local opportunities for working with CAP sites, helping to foster local community development.

Information — and infrastructure

While access to programming and information is an essential base for business growth, so is good

community infrastructure. Good services attract new business. AAFC is working with business and community partners to build the kind of infrastructure and services that promote business growth, through increased funding and technical support. Our goal is to provide stronger support to new rural enterprises and to existing businesses which are expanding. Specifically, AAFC will work to increased community and regional infrastructure through initiatives such as Prairie Farm Rehabilitation Administrations' (PFRA) Rural Water Development Program, which provides technical assistance, as well as some financial aid, for the development of water supply and distribution systems.

Co-operatives: Investigating new opportunities

Building rural business also means building co-operatives across the country. Canada's co-operatives are being strengthened through a new act, the *Canada Cooperatives Act*. As well, updated regulations to the *Farm Improvement and Marketing Co-operatives Act* will give co-operatives easier access to guaranteed loans and build flexibility in raising capital for new and existing co-operative ventures.

Canada's agri-food co-operatives, now numbering over 1200, range from huge organizations such as Wheat Pools to smaller enterprises such as farm machinery co-ops. As community based, member-owned organizations, co-ops are natural allies for government in promoting self-reliance in the sector.

The Co-operatives Secretariat of AAFC also has the mandate to coordinate the government policy towards co-operatives in sectors outside of agriculture (financial services, consumer goods, health). Over the next three years the sector will conduct an ongoing review of the business plans of federal departments and agencies to identify opportunities for co-operative partnerships. AAFC sponsored a first national co-operative symposium in February 1998, to stimulate sector-government exchange and shape future directions.

That's animation!

Rural road show captivates kids (and teachers, too)

When the Government of Canada rural kiosk travelled to some 100 rural communities last year, the star of the show was AAFC's interactive, animated *Country Quiz*. Because of the overwhelming response, the Canadian Rural Partnership is finding ways to get it into elementary classrooms across the country. For information, contact: 613-759-7903; email: towerm@em.agr.ca

Sound Departmental Management

Providing sound business management and service excellence, to achieve results for Canadians

Getting Results Through Sound Management



The Sound Departmental Management business line ensures that all resources entrusted to the department — the people, the bricks and mortar and the knowledge we possess — are appropriately allocated and used to achieve results that are valued by the agriculture and agri-food sector and Canadians alike.

This business line centres on sound management — on the way we do business. While it is relatively invisible to our clients, sound management is fundamental to the success of Agriculture and Agri-Food Canada. It provides the management policies, services, infrastructure and support that give AAFC the capability to excel, and it does so in the most effective and efficient manner.

Knowing where we are going

For more than a year, AAFC has worked to develop a **results-based management culture**: we know what we want to achieve for Canada, and how we intend to get there. All of our planning rests on a shared strategic focus — our vision of a growing, self-sustaining agri-food sector. And over the next months, we will work to more clearly enunciate our corporate values, which guide the manner in which we will work together to reach our goals.

Measuring/assessing how we perform

In earlier sections of *Global Excellence*, we've set out our gameplan. Our business line objectives

are our roadmap for thinking strategically over the next three year period. They not only spell out our common challenge: they provide our measuring rod, providing us with a clear and transparent way to deliver better and more timely information about our progress to Parliament and Canadians.

It is the role of the Sound Departmental Management business line to guide the reporting process. The department has defined accountability for getting results at the business line and branch level, and Sound Departmental Management is helping to develop a comprehensive **measurement strategy** to allow us better assess our progress, and take corrective action when it's required. Are we, as a department, getting results? What is the cost of achieving those results? Are our programs and services responsive to client needs, and are there variances between our objectives and our achievements?

Living our values

Because workplace values go hand-in-hand with employee satisfaction, AAFC began the process of reviewing its corporate values by turning to the people who live them. In a series of focus groups, AAFC people identified three values as key: **integrity, excellence and valuing people**. Our plans for the future: further enunciating these values in every branch of the department, and — by spring 2001, ensuring they are an integral part of our reward systems and performance appraisals. Our values will form the basis of every piece of policy, every action and every interaction in our department.

To help answer the need for better information with which to measure our performance, we are implementing SATURN, a sophisticated resource management system. SATURN, taken together with the employee information on AAFC's expanding PeopleSoft human resource management system, will give managers access to integrated financial/human resource information — and by the year 2000, it will be available at the desktop.

Working efficiently

The new Planning, Reporting and Accountability Structure is a more coordinated way to manage the department not only strategically, but also operationally. For example, we're working to reduce the reporting and paper-work burden on our managers department-wide by using information from business line plans for a number of planning and reporting activities.

Getting better as we go: Planning for the Future

The Sound Departmental Management business line is committed to effective measurement and **continuous improvement** as we go. This entails not only setting direction and monitoring performance, but finding ways to better engage AAFC people. We are doing this through AAFC's human resources management strategy, *Planning for the Future*, which is founded on the belief that people are the department's most important resource.

In synchronism with La Relève, the government-wide commitment to modernize and renew the public service, AAFC is tailoring its own strategies to recruit, motivate and train people of high caliber, and help them to flourish in the increasingly competitive environment in which we work.

Better motivating a cross-Canada workforce of some 5500 people, means providing not only clear direction, but opportunity. As we implement *Planning for the Future*, we are becoming a more responsive organization, working more closely with AAFC employees to provide the opportunities and the environment a dynamic workforce needs to succeed.

I N B R I E F

Key to Success Sound Departmental Management

Key Expected Results

- Confirming the department's *vision, mission and values*
- Building a motivated, committed and representative workforce, with the *right people* in place
- Implementing *Planning For the Future*, our Human Resources strategy, over the next three years
- Providing AAFC people the tools they need — technology, access to training and development
- Developing a comprehensive set of measurement strategies to better assess our progress and identify corrective actions, *en route* to continuous improvements in performance

Our employee survey, conducted in early 1998, gave us a strong baseline from which to work. Over 50 percent of our staff responded to the survey, and most of those who responded — fully 85 percent — said they enjoy their work, and they take pride in what they do. This is one key to service excellence.

But the survey also told us we have much to do. We will stress more open communication and opportunities to learn, for example, to help our employees realize their potential, and become more effective ambassadors in the industry on which we all depend. Strong people mean strong business. And we'll conduct a follow-up survey in spring, 2000, to measure our progress.

The right people

In fact, we are already working hard to meet these challenges through *Planning for the Future's* ambitious seven-point plan (see box below). Our goal is a **motivated and representative workforce** that reflects the make-up of the Canadian labor-force.

Planning for the Future action areas include:

- Supportive Work Environment
- Training and Development
- Succession Planning
- Career Plans
- Recruitment and Staffing
- Diversity Management
- Performance Management

We are, for example, committed to diversifying our workforce. Diversity not only makes good business sense: it helps us better — and more sensitively — serve the needs of a diverse Canadian public, and an increasingly global marketplace.

We are setting realistic goals, branch by branch, to build a more diverse workforce — and we are working, department-wide, to identify barriers in how we recruit new people, and how we promote employees. Our planning includes stepping up efforts to provide adequate development and training opportunities for the people we have, and we're conducting learning workshops to provide our managers with the tools to lead a diverse workforce.

But this is just the beginning. Diversity means valuing and respecting individual differences, and working toward, new, more flexible working arrangements for us all.

Becoming an employer of choice

The impact of the services we deliver is directly linked to the quality of the people who deliver them: corporate excellence depends on individual excellence. To build the potential of every employee, AAFC will continue to commit fully four percent of the salary budget of the department to training. The training and development will be closely tied to both our corporate goals as laid out in the business line plans, and to individual career plans of our employees.



Bring on the Year 2000: We're Ready!

AAFC has been recognized by an international consulting firm for our Year 2000 planning. We are anticipating and fixing problems to ensure continual access to our public information services, and we're taking care of internal systems, to make sure computer programs will work, security access cards will function and elevators will run on January 2, 2000.

Department-wide, we are stressing future planning. Every employee will have an opportunity to prepare an individual career plan by the year 2000, and to work with supervisors on that planning. At the same time, we are thoroughly reviewing our succession planning to ensure an open process that builds opportunities for talented future managers.

Our goal is straight-forward: we want to increase employee satisfaction, and help make AAFC an employer of choice.

Flourishing in a demanding environment: The right tools, systems and processes

Motivated employees — with the right tools — are the real driving force behind the success of the business lines. We need to give people the tools they need, whether that means better technology, greater freedom to make decisions or more access to information. Developing a more productive and supportive work environment depends on continually adjusting to the changing global environment and a constantly transforming sector.

Currently, we are implementing the recommendations of the Management and Administrative Services (MAS) Review, completed in July 1997, which outlined concrete ways to increase our efficiency and effectiveness. And we are building our strength in two key areas: strategic information management (See box this page) and environmental management.

Agriculture and Agri-Food Canada has been the leading proponent and model for an Environmental Management System for federal departments — a management tool that provides a systematic approach to tracking, managing and improving environmental performance. By implementing the system over the next three years, we will play a

Meeting the industry demand for information — fast!

AAFC's business success is intricately linked to industry success and the well-being of Canadians. As a result, the department is increasing its investment in providing information services that better serve its industry partners and the Canadian public. A new Integrated Electronic Information Program is designed to provide coordination, advice, and guidance on information sharing within and outside the department.

- The Agriculture and Agri-Food Canada Electronic Information Service (ACEIS) website provides an electronic window to departmental information (www.agr.ca).
- ACEIS permits ready access to the Agri-Food Trade 2000 Web site and data base.
- The Canadian Agriculture Library and the Canadian Institute for Scientific and Technical Information built electronic links, to provide one-stop access to both national resource collections.

much more proactive roll in promoting the wise stewardship of Canada's resources, by incorporating the environment into every decision.

The overall goal: continuous improvement

This strong environmental thrust, plus our commitment to deliver better information to our staff and our sector, are key components of success in a more competitive world. If we couple the right people with the right tools, and if — both as individuals and as an organization — we remain committed to continuous improvement, we can maximize results, not only for the department and those who work here, but also for the sector and all Canadians.

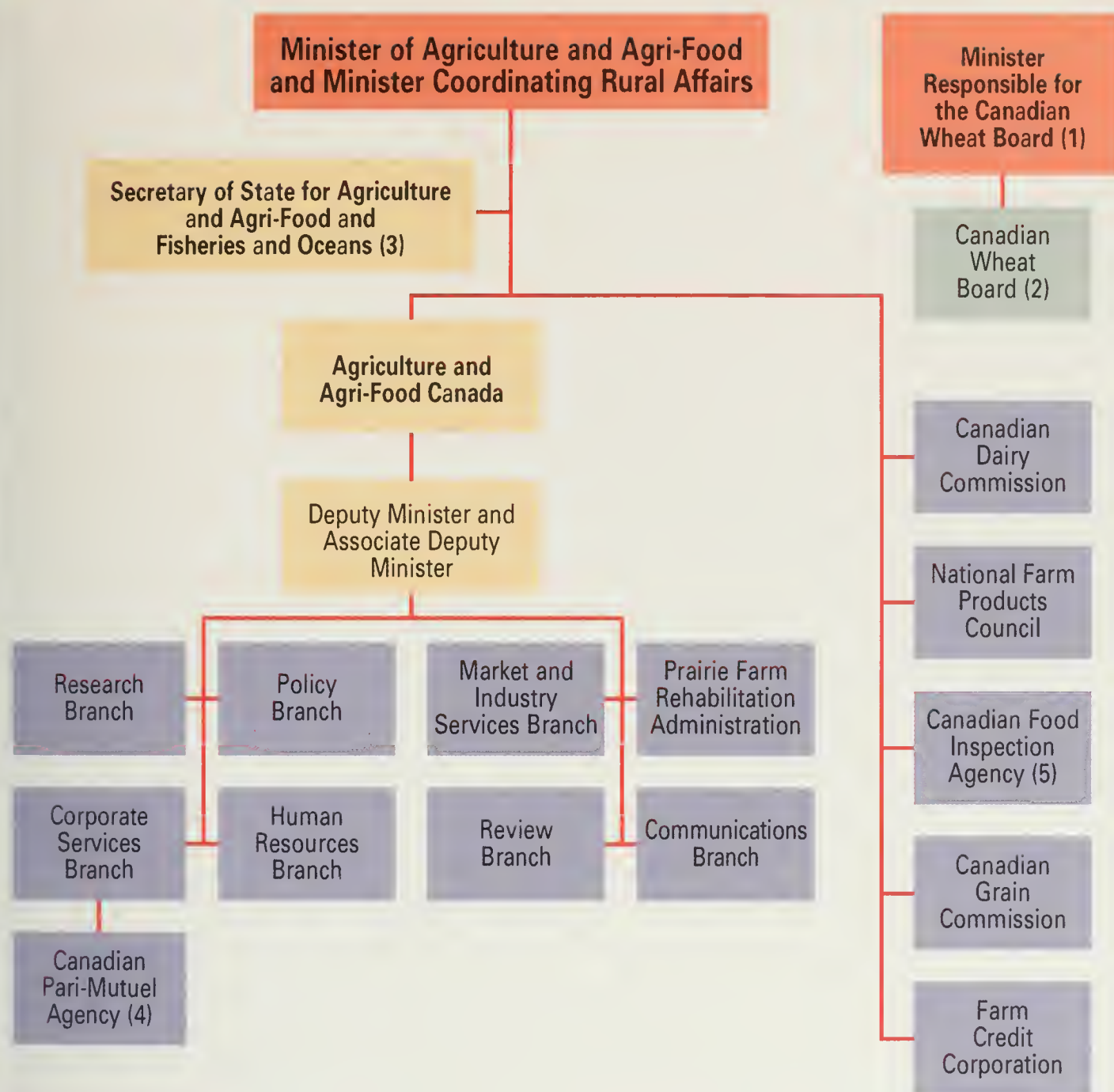
The faces behind global excellence

Excellent people bring excellent results. AAFC people have an incredible history of achievement. Recently, for example, two researchers received the Order of Canada: Constantine Campbell, of the Swift Current Research Centre (for his work with soils), and Peter Harris of the Lethbridge Research Centre (for work in using insects to destroy weeds).

In addition to individual excellence, our AAFC teams regularly win public service-wide awards: PFRA's Geographical Information Systems (GIS) Team for its information management during the Red River Flood, for example, and our ExportSource team, who worked with other government departments to use information technology to improve Canada's export success.

And, in recognition of the managers that provide the leadership we require in pursuit of departmental excellence, AAFC launches its own annual Agcellence awards with a "Manager of the Year." In 1997, the honour goes to Yvon Martel, Director General of the Eastern Region, Research Branch, who, for example, is working with industry to fashion a shared vision for a more competitive sector in the region.

Portfolio Snapshot



Notes:

- (1) The Honourable Ralph Goodale is the Minister Responsible for the Canadian Wheat Board.
- (2) The Canadian Wheat Board is part of the Agriculture and Agri-Food Portfolio.
- (3) The office of the Secretary of State for Agriculture and Agri-Food and Fisheries and Oceans is funded through Fisheries and Oceans Canada.
- (4) On April 1, 1997, the Canadian Pari-Mutuel Agency began reporting through the Corporate Services Branch.
- (5) On April 1, 1997, the Food Production and Inspection Branch became part of the Canadian Food Inspection Agency (CFIA).

Agriculture and Agri-Food Canada, established in 1867, now consists of some 4,611 staff working in every area of Canada in the: Research, Policy, Market and Industry Services Branches and the Prairie Farm Rehabilitation Administration and Corporate Branches, which include Human Resources, Corporate Services, Communications and Review. The **Canadian Pari-Mutuel Agency**, as part of AAFC, protects the wagering public against fraudulent practices by ensuring the integrity of betting in the horse racing industry across Canada.

In addition, AAFC works closely with five Crown Corporations and Agencies:

The **Canadian Grain Commission** is a special operating agency dedicated to protecting the quality of Canadian grain. Its role is to regulate the grain handling systems and set grain quality standards. (779 staff)

The **National Farm Products Council**, along with the Canadian Egg, Turkey, Chicken and Broiler Hatching Egg Marketing Agencies and promotion-research agencies, promotes the marketing of products across Canada and worldwide. (18 staff)

The **Canadian Dairy Commission** coordinates national supply management for industrial milk production according to the provisions of the National Milk Marketing Plan. (62 staff)

The **Farm Credit Corporation** enhances agricultural growth in Canada by providing financial services to farming operations, including family farms, and to related businesses in rural communities. (837 staff)

The **Canadian Food Inspection Agency** promotes a competitive agriculture, food and fish industry by monitoring the health, safety and quality of these products within Canada and those entering Canada from around the world, enforces safety standards, controls animal diseases and plant pests, inspects food, prevents fraud and regulates seed, feed and fertilizers. (4,556 staff)

Finally, AAFC provides support and services to the Minister responsible for the **Canadian Wheat Board** (CWB) on all issues pertaining to the CWB. The **Canadian Wheat Board** markets Canadian grains for the best possible price and all proceeds from sales, less marketing costs, are passed back to farmers.



How to contact AAFC

In Canada, please check the blue pages of your telephone directory for Agriculture and Agri-Food Canada's local number. Outside the country, contact the nearest Canadian diplomatic post. You will be put in touch with the right person to assist you.

You can reach AAFC electronically, by phone, facsimile, or through the mail. For more information about agriculture and food production in Canada, or to obtain a list of free publications, contact:

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E-mail: pirs@em.agr.ca

Agriculture and Agri-Food Canada maintains an electronic information service providing instant access to departmental on-line services and information including federal agri-food programs, trade, commodity prices, regulations, agri-science, and technology.

Contact AAFC on the Internet at:

www.agr.ca

or by modem at: 1-800-234-4410

Voice and fax-back services are available by calling: 1-800-346-2222

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