



Agriculture and Agri-Food Canada

Performance Report

For the period ending
March 31, 1998

Canada

Improved Reporting to Parliament Pilot Document

The Estimates of the Government of Canada are structured in several parts. Beginning with an overview of total government spending in Part I, the documents become increasingly more specific. Part II outlines spending according to departments, agencies and programs and contains the proposed wording of the conditions governing spending which Parliament will be asked to approve.

The *Report on Plans and Priorities* provides additional detail on each department and its programs primarily in terms of more strategically oriented planning and results information with a focus on outcomes.

The *Departmental Performance Report* provides a focus on results-based accountability by reporting on accomplishments achieved against the performance expectations and results commitments as set out in the spring *Report on Plans and Priorities*.

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Foreword

On April 24, 1997, the House of Commons passed a motion dividing on a pilot basis what was known as the annual *Part III of the Estimates* document for each department or agency into two documents, a *Report on Plans and Priorities* and a *Departmental Performance Report*.

This initiative is intended to fulfil the government's commitments to improve the expenditure management information provided to Parliament. This involves sharpening the focus on results, increasing the transparency of information and modernizing its preparation.

This year, the Fall Performance Package is comprised of 80 Departmental Performance Reports and the government's "*Managing For Results*" report.

This *Departmental Performance Report*, covering the period ending March 31, 1998, provides a focus on results-based accountability by reporting on accomplishments achieved against the performance expectations and results commitments as set out in the department's *Part III of the Main Estimates* or pilot *Report on Plans and Priorities* for 1997-98. The key result commitments for all departments and agencies are also included in *Managing for Results*.

Results-based management emphasizes specifying expected program results, developing meaningful indicators to demonstrate performance, perfecting the capacity to generate information and reporting on achievements in a balanced manner. Accounting and managing for results involve sustained work across government

The government continues to refine and develop both managing for and reporting of results. The refinement comes from acquired experience as users make their information needs more precisely known. The performance reports and their use will continue to be monitored to make sure that they respond to Parliament's ongoing and evolving needs.

This report is accessible electronically from the Treasury Board Secretariat Internet site:
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AGRICULTURE AND AGRI-FOOD CANADA

PERFORMANCE REPORT
FOR THE PERIOD ENDING
MARCH 31, 1998



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

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EXECUTIVE SUMMARY

Agriculture and Agri-Food Canada (AAFC) has made measurable progress towards the objectives it laid out to achieve on behalf of the sector more than a year ago. Against a backdrop of rapid economic change, new trade agreements, new technology, shifting global markets and changing consumer demand, the department has made a number of important contributions to the sector and Canada.

To deal with the complex environment in which it operates, AAFC has made fundamental changes in the way we work individually, with each other, with the agri-business community, and with our other partners. We have set out four business lines that precisely define where we will place our best efforts:

- ▶ Expanding Markets,
- ▶ Innovating for a Sustainable Future,
- ▶ Strong Foundation for the Sector and Rural Communities, and
- ▶ Corporate Policies and Services.

Some of the key accomplishments achieved are outlined below.

Expanding Markets

- ▶ AAFC efforts have improved market access for Canadian agriculture and agri-food products through tariff reductions.
- ▶ Assisted industry in expanding trade by providing some of the latest tools and information to help take advantage of market opportunities.
- ▶ Supported increased capital investment and adoption of new technologies in Canada's agriculture and agri-food sector.

Innovating for a Sustainable Future

- ▶ AAFC invested \$353 million in Canadian agriculture and agri-food R&D in 1997-98.
- ▶ Agri-environmental indicators up — water and land quality in rural areas better now than it was 10 years ago.
- ▶ Agriculture and Agri-food Research provides positive return on investment — up to 54% return on investments for agricultural research on which the department is leading development.

Strong Foundation for the Sector and Rural Communities

- ▶ Producers are developing a growing capacity to manage risk at the farm level through better management and tools like the Net Income Stabilization Account (NISA).
- ▶ Agriculture and agri-food industry helped to be more competitive through the Canadian Adaptation and Rural Development (CARD) Fund's 23 national initiatives and 13 regional councils.
- ▶ AAFC facilitation of the cross-government Canadian Rural Partnership (CRP) has helped pave the way for stronger rural communities by listening and responding better to rural Canadians' needs.

Corporate Policies and Services

- ▶ An independent review of the departmental Web site ACEIS gave it 3 stars out of 4 for quality and content of the site.
- ▶ Department recognized by the consulting firm of KPMG as being a leader in departmental contingency planning and project management in preparing for the Year 2000 threat.
- ▶ Improved access to information on federal programs and services for rural Canadians — communications efforts to date have reached an estimated 11 million people.

Over the next few years, the Department will continue to build on its success and make course corrections to best meet the needs of the sector. We will be working with Canadians to orientate our programs and to improve the services and support provided to its wide array of clients.

CHART OF KEY RESULTS COMMITMENTS

To provide Canadians with:	To be demonstrated by:	Accomplishments
Expanded Markets for Canada's agriculture and agri-food sector	▶ Market access,	Page 18
	▶ Sales of Canadian agriculture and agri-food products, and	Page 20
	▶ Investment opportunities.	Page 22
A Sustainable Future	▶ Innovations in the development of agriculture and agri-food products, processes and practices,	Page 24
	▶ Sustainable land and water management systems, and	Page 26
	▶ Leadership in applying sustainable development principles and practices.	Page 27
A Strong Foundation for the Sector <i>and</i> Rural Communities	▶ A policy framework which enables the sector to adapt to a changing economy,	Page 29
	▶ A strong, rural economy, and	Page 30
	▶ Development of co-operatives.	Page 34

I. MESSAGE FROM THE MINISTER

BUILDING ON OUR ACCOMPLISHMENTS



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

I am pleased to present the 1997-98 performance report of the Department of Agriculture and Agri-Food to Parliament and the people of 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 shapes our approach to the future.

Domestic agri-food sales are approaching \$90 billion a year. This home-grown success is a springboard to achieving global excellence. The Canadian marketplace is diverse and increasingly sophisticated. 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 our success at home and abroad.

Canadian products have proven themselves in the world arena. In July 1997 exports surpassed \$22 billion a year, well ahead of our predictions. And our industry is now setting its sights on doubling that figure by 2005. This is an ambitious goal, but industry is gearing up. In Canada's food processing sector alone, investment is up 30 percent over the last three years. Productivity of Canadian farms is on the rise — and we're boosting output while taking better care of our environment. This bodes well, not only for Canadians, but for people around the world. Increased farm productivity is essential if we are to meet the needs of a growing global population.

Sales, both domestically and internationally, mean 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. The sector's overall success is an indication of success at the farm level.

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 Agriculture and Agri-Food Canada was chosen by the Prime Minister to coordinate 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 AAFC, 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,

the complex challenges ahead, our department has made fundamental changes in the way we work individually, with each other, and with the agri-business community.

I am very proud of what we have accomplished over the past few years. Whether it be the role AAFC has played in supporting Team Canada Inc — with its positive effect on agricultural and agri-food exports — or funding partnerships to support basic research through our Matching Investment Initiative or helping the sector adjust to changing times through our adaptation initiatives, AAFC is working for Canadians.

I invite you to read our performance report and judge for yourself the difference that we are making to the sector. As the next few years unfold, we will build on our accomplishments. A great deal will continue to depend on our ability to transform ourselves as an industry: to seize opportunities, to maintain our competitive edge, and to build our future through sound environmental stewardship of our land and resources. Together, we are taking care of the industry of tomorrow, today.

II. DEPARTMENTAL OVERVIEW

MANDATE OF THE MINISTER

Mandate

Lyle Vanclief, Minister of Agriculture and Agri-Food and Minister Coordinating Rural Affairs, is responsible for a variety of organizations within his portfolio which promote the development, adaptation and competitiveness of the agriculture and agri-food sector through policies and programs that the federal government offers and through a wide array of partnerships with other governments, industry and non-governmental organisations. The overall goal is to help the agriculture and agri-food sector maximize its contribution to Canada's economic and environmental objectives, achieve a safe, high quality food supply and to maintain a strong foundation for the agriculture and agri-food sector and rural communities.

DEPARTMENTAL VISION, MISSION AND VALUES

Vision

The Department's *Vision* to contribute to the Minister's mandate is:

"A growing, competitive, market-oriented agriculture and agri-food industry that is profitable and responds to the changing food and non-food needs of domestic and international customers; is less dependent on government support; and 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."

Mission

The *Mission* of the Department is to work with industry and other partners to:

- ▶ Improve and secure market access and enable the agri-food sector to capture opportunities for trade in domestic and export markets, with a focus on higher-valued agri-food products;
- ▶ Support the sector's efforts to develop and produce competitive products and processes in an environmentally sustainable manner; and
- ▶ Enhance the sector's economic viability while strengthening opportunities for rural community economic development;

while ensuring that the resources committed to the Department are used to achieve results for the sector and Canadians in a sound manner.

Values

The *Values* that the Department espouses to carry out its Mission are:

- ▶ **Valuing people:** We treat each other with dignity, respect and sensitivity; we recognize and appreciate our differences; we seek everyone's contribution and favour teamwork.
- ▶ **Integrity:** We adhere to personal and professional values; we place the public interest before our own interest; we are honest with ourselves, our organization, and our clients; we accept ownership and responsibility for our actions, decisions and results.
- ▶ **Excellence:** We are individually and collectively dedicated to providing high quality results and to serving our clients in a timely and flexible manner; we

encourage the expression of ideas, the expression of creativity and the adoption of best practices.

OPERATING ENVIRONMENT

The reporting period for 1997-98 saw considerable change in the operating environment of the Department. The agriculture and agri-food environment has experienced significant domestic and export growth. Some of the key features of this growth include:

- ▶ A general pattern of farm debt reduction, capital reinvestment and the setting aside of funds to reduce future price and sales fluctuations using increasingly self-directed income support;
- ▶ Growth in farm size, diversity and the emergence of more niche markets, product and processing opportunities;
- ▶ An increase in the trend towards trade in secondary and value-added products;
- ▶ Overall sector growth topped 3.5%, food and beverage sales to Canadian consumers approached \$90 billion last year and investment in the food processing sector is up by 30% over the last three years. Internationally, the sector has exceeded the targets set by industry and government, reaching \$22.3 billion in export sales in 1997.
- ▶ Continued global trade liberalization with increased competitiveness around the world;
- ▶ Increased complexity of trade issues associated with technical barriers to trade;
- ▶ An increased focus on the need to develop competitive advantages based on information, research and technology, quality of products, and safety of the products; and
- ▶ Increasingly, economic and environmental considerations are being integrated into the sector's business decisions. Innovative and environmentally sound solutions for land and water management are increasingly providing producers with numerous environmental benefits and are affording greater economic security in the long-term.

Sectoral Performance Highlights:

- ▶ Average farm net worth increased by nearly 30% from 1991 to 1995, and currently exceeds \$500,000.
- ▶ Recent information from the Farm Credit Corporation (FCC) indicates strong investment in agriculture in 1996 and 1997. The number of new loans approved by FCC increased by 35% in fiscal year 1997 compared to 1996.
- ▶ Food and beverage sales to Canadian consumers approached \$90 billion last year; in the food processing sector alone, investment is up 30% over the last three years.
- ▶ In 1997, the trade surplus for the agriculture, food and beverages sector reached \$7.5 billion and the sector contributed nearly 9% of Canada's GDP. From exports of \$13 billion in 1993, we reached a record \$22.3 billion in 1997, along with recapturing 3% of world agri-food trade.
- ▶ The Canadian Agri-Food Marketing Council (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 3% to 4% — meeting this ambitious goal could translate to \$40 billion in sales by the year 2005.
- ▶ Total public and private spending in agri-food research and development is approximately \$1 billion — AAFC is investing \$353 million.

In addition to these changes in the sector, the Department has faced a number of challenges:

- ▶ Completing the process of Program Review with extensive internal restructuring, re-design of service delivery and creation of new ways of doing business to reduce costs and increase effectiveness;
- ▶ Increasing need to contribute to horizontal issues of public policy and programs that transcend any one government organization and often include other levels of government, non-governmental organizations, and the private sector, e.g. the Canadian Rural Partnership;
- ▶ Increasing need to develop planning and management systems that are orientated towards results rather than process, that reflect the best ways to manage with fewer resources and that provide real, understandable measures of performance;
- ▶ Increasing need to modernize basic systems of operations and management, to equip the Department to be ready for Year 2000, the introduction of accrual accounting as a new basis of resource management and ensure the most cost-effective management of information resources are in place;
- ▶ Desire of Canadians to be more engaged in government decision-making;
- ▶ The growing demand for information on government programs through new means such as the Internet; and
- ▶ The need to equip Departmental staff so that they can operate in a new environment with the needed skills and capacity to get the job done.

AAFC STRATEGIC PRIORITIES

To help meet the goals and the challenges that face the sector, the department has developed a number of strategic priorities:

- ▶ Improving market access and sectoral export readiness particularly for higher value-added production;
- ▶ Creating the conditions that will attract significant new investment including a competitive business climate;
- ▶ Helping to ensure an adequate supply of skilled knowledge workers;
- ▶ Improving productivity throughout the food chain;
- ▶ Creating a regulatory framework which encourages the growth of the agri-food sector as a whole;
- ▶ Promoting environmental sustainability through improved stewardship and the development of technologies and solutions to environmental impacts and challenges; and
- ▶ Contributing to the social agenda in ways that will benefit the sector, with particular emphasis on rural, health and environmental issues.

WHERE WE FIT IN

Agriculture and agri-food is a shared responsibility between the federal and provincial governments. Numerous departmental programs are delivered and/or administered by our partners such as provincial governments and industry organizations.

Industry Organizations in the sector have been instrumental in helping to shape government policies and programs. AAFC has consulted with sectoral partners throughout the country in areas such as safety nets, grain marketing and transportation, setting research priorities, cost recovery and orderly marketing.

Provincial Partners have benefitted the sector in many ways. A few examples of our partnerships with the provinces include:

- ▶ the signing and implementation of bilateral farm safety-net framework agreements;
- ▶ spearheading research and furthering the “Team Canada” concept to promote and market agriculture and agri-food products abroad; and
- ▶ lending support for the new Canadian Food Inspection Agency.

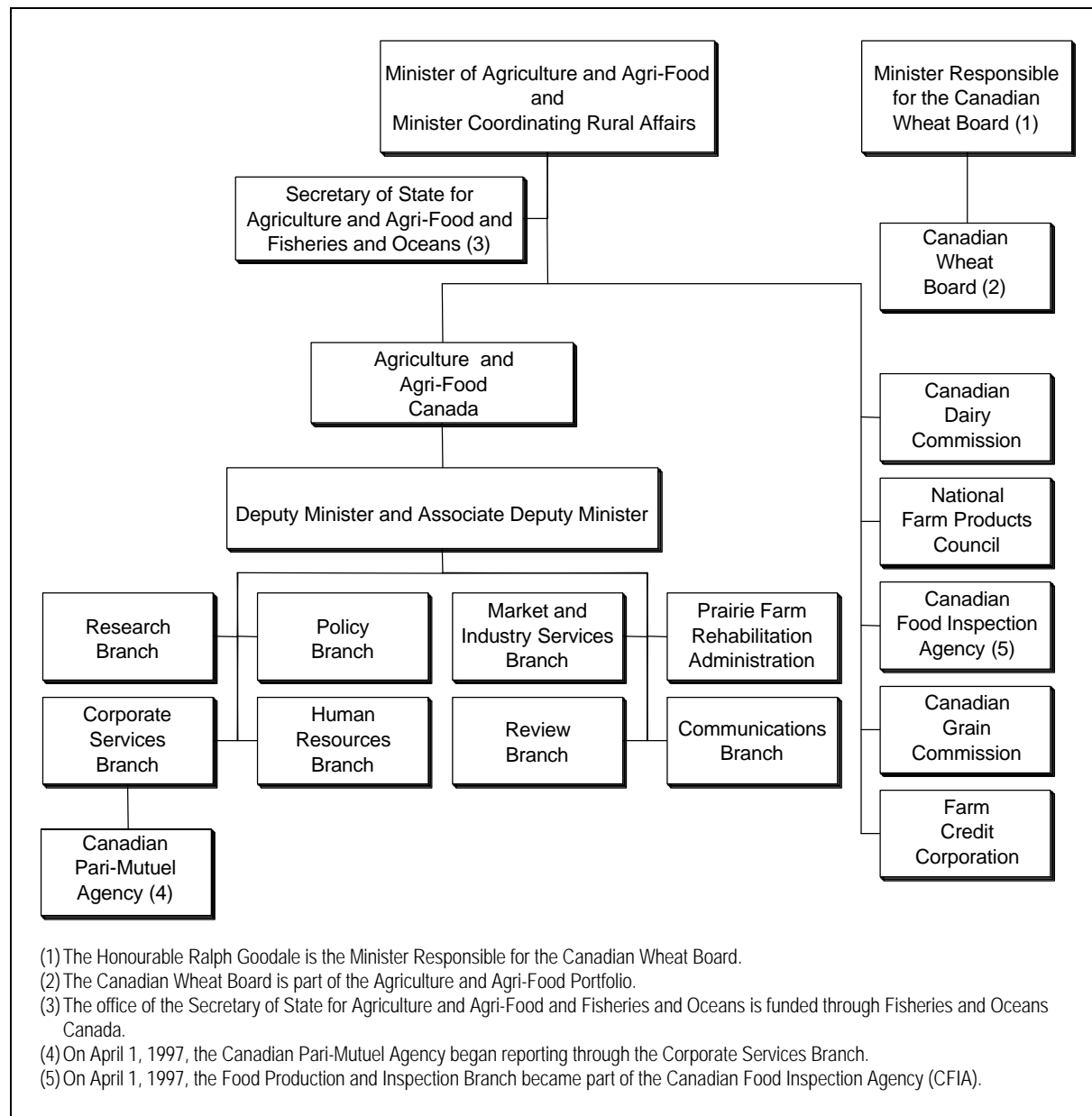
Working with **other federal departments**, AAFC ensures that any federal investment is used to its full potential. One example is the Department’s involvement with the Department of Foreign Affairs and International Trade and Industry Canada under the federal government’s *International Business Development Strategy* (ISBD) delivered through Team Canada Inc (TCI) which provides single-window access to an integrated policy, programs and services framework to assist Canadian exporters.

In addition, Minister Vanclief is also the Minister Coordinating Rural Affairs. As such, he is leading the government’s collective efforts to ensure rural Canadians have the opportunity to fully participate in all this country has to offer. The Government of Canada and AAFC are acting on their commitment to increase opportunities for rural Canadians and to adapt their programs to reflect rural realities, by confirming funding of \$20 million over four years for the Canadian Rural Partnership (CRP). This partnership 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 Canada of future policy, program and service decisions.

Coordination within the **portfolio of agencies** that report directly to the Minister of Agriculture and Agri-Food is essential in advancing the sector’s interests. This invaluable portfolio includes: the Canadian Food Inspection Agency, Canadian Grain Commission, Farm Credit Corporation, Canadian Dairy Commission, and the National Farm Products Council. In addition, the Canadian Wheat Board, which reports to the Honourable Ralph Goodale, is also part of the portfolio.

DEPARTMENTAL ORGANIZATION

ORGANIZATION CHART OF THE AGRICULTURE AND AGRI-FOOD PORTFOLIO



AAFC BUSINESS LINES

The department manages its responsibilities in delivering the Vision for the sector through the development of three operational business lines and a management business line.

OUR VISION FOR THE CANADIAN AGRICULTURE AND AGRI-FOOD SECTOR	BUSINESS LINES	ORGANIZATIONAL RESPONSIBILITY FOR DELIVERY OF RESULTS	
		PRIMARY	CONTRIBUTING
<p>A growing, competitive, market-oriented agriculture and agri-food industry that:</p> <ul style="list-style-type: none"> ▶ 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: <ul style="list-style-type: none"> - 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. 	→ 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
	→ CORPORATE POLICIES AND SERVICES	Corporate Branches ⁽¹⁾ Legal Services Executive Offices	Line Branches

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

The department now does its planning and reporting on a business line basis rather than on a branch by branch basis. The focus is on teamwork — on getting the right people together around the table, to work on achieving results. The planning, reporting and monitoring of business line activities has to happen on an ongoing basis to ensure that we achieve the targets that we have set for ourselves to improve our performance.

BUSINESS LINES DESCRIPTIONS

Through the *Expanding Markets* business line, Agriculture and Agri-Food Canada (AAFC) promotes market access, market development and investment. This business line brings together activities from the Department and the

**EXPANDING
MARKETS**

Portfolio agencies and also contributes actively to “Team Canada Inc”, Canada’s international business development network which assists Canadian companies in selling their products and services around the world and promotes investment in Canada. This business line’s results are arrived at by:

- ▶ improving and securing market access to enable sector clients to capture opportunities for increased trade, particularly in higher-value agri-food products in both domestic and international markets;
- ▶ creating new market opportunities, ensuring improved market readiness in the Canadian agriculture and agri-food; and
- ▶ assisting the industry in attracting new investment by setting the stage for an improved climate for investment in the sector which will make Canada’s agri-food industry a preferred focus of domestic and foreign investors.

**INNOVATING FOR A
SUSTAINABLE
FUTURE**

The *Innovating for a Sustainable Future* business line pursues its objective through an extensive network of research centres, working in partnerships with provinces, universities, communities and private sector research organizations. Its activities assist the agriculture and agri-food sector to:

- ▶ reduce the costs of producing and processing agricultural and agri-food products;
- ▶ improve the quality and safety of agricultural and agri-food products;
- ▶ develop and promote production and processing practices which are safe and environmentally sustainable;
- ▶ promote an increased understanding of environmental issues affecting the agriculture and agri-food sector; and
- ▶ develop appropriate policies and programs in support of long-term environmental sustainability.

**STRONG
FOUNDATION FOR
THE SECTOR AND
RURAL
COMMUNITIES**

The *Strong Foundation for the Sector and Rural Communities* business line enhances the agriculture and agri-food sector’s economic viability and self-reliance and promotes the economic development of rural communities through:

- ▶ national safety net programs for the management of production and market risks;
- ▶ initiatives to help the sector adapt to an evolving business climate;
- ▶ regulatory and framework policies particularly in relation to the grains and supply-managed sectors;
- ▶ initiatives which ensure an enhanced accessibility to federal programs, benefits and services in rural areas, and infrastructure development in the Prairies; and
- ▶ the promotion of the cooperative sector.

**CORPORATE
POLICIES AND
SERVICES**

The *Corporate Policies and Services* Business Line provides the management policies, services infrastructure and support needed to help AAFC fulfil its mandate in the most effective and efficient manner possible while ensuring that our best efforts support the needs of our industry partners and stakeholders. While all staff and management have a responsibility for sound management, this business line will clarify the responsibility of line and corporate branches for obtaining desired outcomes.

The business line's priorities are to provide:

- ▶ strategic, business and financial planning capabilities;
- ▶ a renewed and revitalized departmental workforce;
- ▶ a productive working environment for employees;
- ▶ an information infrastructure and services for the Department and its partners;
- ▶ technical and support services for informatics, capital planning, physical plant and security services;
- ▶ performance measurement and accountability mechanisms; and
- ▶ communications that support the business of the Department;

while encouraging the highest standards in the public service.

CROSSWALK BETWEEN ACTIVITIES (OLD STRUCTURE) AND BUSINESS LINES (NEW STRUCTURE)

The new AAFC Business Line is intended to help ensure that all our efforts fully support the achievement of our goals for the sector. Unlike the old Operational Planning Framework (OPF) in which previous planning and reporting was based, our new structure is not restricted to planning and reporting along organizational lines (see table below).

The Business Line structure offers flexibility to deal with emerging issues and priorities, as branches work together to attain business line results. For example, the Business line "Innovating for a Sustainable Future" groups the collective efforts of the Research and Policy Branches and the Prairie Farm Rehabilitation Administration to support the sector to develop and produce competitive products and processes in an environmentally sustainable manner.

ACTIVITIES (OLD STRUCTURE)	BUSINESS LINES (NEW STRUCTURE)			
	Expanding Markets	Innovating for a Sustainable Future	Strong Foundation for the Sector and Rural Communities	Corporate Policies and Services
Agricultural Research and Development		✓		
Inspection and Regulation*				
Policy and Farm Economic Programs		✓	✓	
Market and Industry Services	✓			
Rural Prairie Rehabilitation, Sustainability and Development		✓	✓	
Corporate Management and Services				✓

* The Inspection and Regulation Activity became part of the Canadian Food Inspection Agency on April 1, 1997 and is therefore no longer a part of AAFC.

III. DEPARTMENTAL PERFORMANCE

PERFORMANCE EXPECTATIONS

The following table contains a summary of results commitments made in the 1997-98 *Report on Plans and Priorities*.

EXPANDING MARKETS
<p>Market Access:</p> <ul style="list-style-type: none">▶ New and expanded market opportunities for Canadian agri-food products▶ Safeguarding market access gains in priority markets▶ Domestic and international preparations for the next set of multilateral trade negotiations in agriculture▶ Reducing interprovincial trade barriers. <p>Market Development:</p> <ul style="list-style-type: none">▶ Support private sector in achieving its defined trade objectives in identified priority and emerging markets.▶ Increase in the number of Canadian firms exporting to Asia▶ Increase in exports of higher-value products▶ Enhanced image of Canada as a reliable supplier of high quality products through participation in international exhibitions▶ Greater industry awareness of market opportunities through a 25% increase in industry's demand for the products of the Agri-Food trade Network <p>Investment:</p> <ul style="list-style-type: none">▶ Identification of industry investment gaps▶ Increased investment in the Canadian agriculture and agri-food processing industry
INNOVATING FOR A SUSTAINABLE FUTURE
<p>Innovation:</p> <ul style="list-style-type: none">▶ Development and registration of new crop varieties (e.g. wheat, barley) to support competitiveness of the sector▶ New Technologies and practices introduced to support primary and processing sector.▶ An increased level of collaborative agri-food research between industry and the department. <p>Sustainable Resource Use:</p> <ul style="list-style-type: none">▶ Increase the knowledge of resource stewardship of urban and rural people by promoting, advising and participating in community based resource planning.▶ Investigate current and potential land degradation problems resulting from agricultural and value-added production practices▶ Provide technical services to protect and improve water quality and quantity. <p>Integrated Policy and Decision-making: Implement the Sustainable Development Strategy.</p>

STRONG FOUNDATION FOR THE SECTOR AND RURAL COMMUNITIES

Policy Framework:

- ▶ Implement the whole farm safety net policy.
- ▶ Work with producers and provinces to improve AAFC program design and delivery
- ▶ Promote market risk management tools in sector
- ▶ Contribute to adaptation and rural development through the administration and delivery of activities under the Canada Agricultural Rural Development (CARD)
- ▶ Improve access to capital for rural development and agri-food business growth.

Rural Economy:

- ▶ Improve the coordination of federal programs and services in rural Canada, (such as through single window access)
- ▶ Increase rural access to the “information highway”.
- ▶ Contribute to community and regional economic development by providing financial and technical assistance to overcome water constraints to rural growth.

Co-operatives:

- ▶ Promote the future development of cooperatives through a modernized Canada Co-operative Associations Act.

CORPORATE POLICIES AND SERVICES

Sound Departmental Management:

- ▶ Implement the new Performance Framework both for reporting to Parliament and for internal management and accountability
- ▶ Develop and implement an integrated financial and materiel management system
- ▶ Develop and implement a communications program with a particular focus placed on reaching rural Canadians

PERFORMANCE ACCOMPLISHMENT HIGHLIGHTS

EXPANDING MARKETS

AAFC EFFORTS IMPROVE MARKET ACCESS FOR CANADIAN AGRICULTURE AND AGRI-FOOD PRODUCTS

During 1997-98, tariffs on agri-food exports continued to be reduced. Tariffs on virtually all agri-food exports to the U.S. were removed as of January 1, 1998, and tariffs on exports to Canada's other WTO partners were further reduced in line with Uruguay Round tariff reduction commitments. These efforts represent improved access for Canadian goods into an increasing number of international markets.

AAFC ASSISTS INDUSTRY IN EXPANDING MARKET OPPORTUNITIES

From 1993 to 1997, Canada's agri-food exports to the United States have increased from \$7.3 billion to over \$11 billion, an increase of 55%. Exports to Japan, our second largest market, have risen from \$1.5 billion to \$2.2 billion, an increase of 57%. Our third largest market is the EU-15, and exports to these markets increased from \$1 billion to \$1.5 billion, an increase of 45%. Because of NAFTA, Mexico has become a more important market for Canada and exports have risen from \$237 million to \$450 million, an increase of 90%.

Increasingly, industry needs the latest tools and information to take advantage of market opportunities. In 1997, AAFC became a core member of **Team Canada Inc** and has joined the Department of Foreign Affairs and International Trade (DFAIT) and Industry Canada (IC) in support of **ExportSource** which incorporates our Agri-Food Trade Service (ATS), to provide potential new and existing agri-food exporters with a single on-line point of contact, giving them simplified access to international market information and intelligence, export counselling and export support programs.

MORE AND MORE INVESTORS ARE CHOOSING CANADA'S AGRICULTURE AND AGRI-FOOD SECTOR

Foreign direct investment (FDI) in the Canadian agri-food sector has climbed to an impressive \$17.2 billion (CDN) in 1997, an increase of over 44% since 1993. Capital investment in food and beverage processing (buildings, machinery, equipment) has also dramatically increased since the first half of the decade from \$1.4 billion (CDN) in 1993 to \$1.7 billion (CDN) in 1997. These numbers indicate that the efforts of the federal government in promoting Canada's agriculture and agri-food sector as the number one place to invest are beginning to yield results.

INNOVATING FOR A SUSTAINABLE FUTURE

AGRI-ENVIRONMENTAL INDICATORS UP; AAFC SINGLE LARGEST INVESTOR IN AGRICULTURE AND AGRI-FOOD R&D

Environmental indicators tell us AAFC is providing the sector with technology and an overall economic climate that is supporting increased sustainable resource management processes/practices. Marginal lands are healthier and more productive in 1998 than they were in 1985. Availability of water supplies in rural areas is better than it was 10 years ago. There seems to be insufficient evidence of widespread water quality problems related to agriculture, but it is clear that there are specific localities where there is a concern. The Agri-Food

Sector spends \$1 billion on agri-food research and development with AAFC investing \$353 million in 1997-98.

AG RESEARCH PAYS BIG DIVIDENDS

Increasingly, investment in research is being done jointly with industry partners through the Matching Investment Initiative (MII). The relevance of our research/tech transfer and industry confidence in our research efforts is without question. The federal government's collaboration through its cadre of respected research scientists also serves to heighten the level of project credibility.

In 1997-1998, a total of 930 MII projects were approved with demand from potential partners far outstripping funding abilities. As a result of MII, AAFC hired 670 skilled employees to work on shared government and industry priorities during the fiscal year. Since its inception, MII contracts have created more than 1,500 jobs.

AAFC HELPS SHAPE ENVIRONMENTALLY FRIENDLIER FUTURE

Over its five year length, the Green Plan has provided a heightened awareness of sustainable farm management practices and has provided both technical assistance and funding for over 1,200 projects with 300 farm organizations exposing over 30,000 people to these concepts over the length of the agreement. Sustainable practices promoted through Green Plan include shelterbelt plantings, forage rotations, waste oil recycling, crop residue management, biological pest control and direct seeding systems that have resulted in enhancement of soil and water quality.

AAFC'S POLICY FRAMEWORK KEEPS PACE IN A FAST-MOVING WORLD

Canada's agriculture and agri-food policy framework provides a foundation that enables agri-food industries and our rural communities to keep pace in a fast-moving world. Key to AAFC's approach is building strong partnerships with the agri-food sector and other levels of government, as well as its commitment to consultation and citizen engagement as integral to effective policy development and program delivery.

FEDS HELP IMPROVE RISK MANAGEMENT CAPACITY OF THE FARM COMMUNITY

AAFC continues to work with industry, provinces and other partners to refine policies, programs and agreements to help move the agriculture and agri-food industry towards greater self-reliance, higher returns and a reduced cost of doing business.

GOVERNMENT INVESTMENT IN ADAPTATION MOVING SECTOR TOWARDS GREATER COMPETITIVENESS AND SELF-RELIANCE

An investment of \$60 million per year in the Canadian Adaptation and Rural Development (CARD) Fund is helping industry to hone its competitive edge. This program and others administered by AAFC help the sector respond to change and maximize the opportunities flowing from international trade agreements, advances in science and technology, and changing markets.

**STRONG
FOUNDATION FOR
THE SECTOR AND
RURAL
COMMUNITIES**

GOVERNMENT CONNECTS WITH RURAL CITIZENS, GIVES RURAL ISSUES A PLATFORM

Through the cross-government Canadian Rural Partnership (CRP), the Government of Canada is listening and responding to rural Canadians' needs and concerns, is applying a "rural lens" to federal policies, programs and services to ensure their rural impact is considered, and is providing fuller access to federal programs, services and information, paving the way for rural Canada to take advantage of opportunities that foster stronger rural communities.

MORE NEW BUSINESSES CHOOSING TO BE CO-OPS

AAFC has worked closely with Industry Canada and the two major co-operative associations to develop the new *Canada Cooperatives Act*. The groundwork is now in place to promote the co-operative as a business form, chosen for its special advantages as are other business forms such as corporations and partnerships.

AAFC GIVES CANADIANS THE INFORMATION THEY NEED WHEN THEY NEED IT

The department has been particularly successful in providing for the electronic information needs of the sector through the departmental Web site ACEIS. An independent review of federal government Websites gave ACEIS 3 stars out of 4 for quality and content of the site. Additionally, ACEIS online survey information indicates that, of the yes/no respondents, 96.5% said that their information needs were satisfied.

AAFC RECOGNIZED AS A LEADER IN PREPARING FOR Y2K

The department has also been recognized as being a leader in preparing for the Year 2000 threat. The consulting firm of KPMG has recently singled out AAFC as being a leader in departmental contingency planning and project management. Despite our current successes, however, we must continue to make this effort a priority and ensure all systems are certified before 2000.

AAFC STRIVES TO BE EMPLOYER OF CHOICE IN FEDERAL GOVERNMENT

As part of the department plan to demonstrate excellence through its workforce, a recent employee survey confirms that a majority of employees across Canada are proud to be part of AAFC.

AAFC SERVES RURAL CANADIANS

In the past year AAFC has made a special effort to reach out to rural Canadians on their own turf — special exhibits were displayed at 150 venues, including the Calgary Stampede and rural fairs. At each of these events AAFC provided rural Canadians with a resource book of federal programs and services, specifically designed to meet their needs and interests.

PERFORMANCE ACCOMPLISHMENTS BY BUSINESS LINE

1. EXPANDING MARKETS

Planned Spending	\$132.1 million
<i>Total Authorities</i>	<i>\$117.9 million</i>
1997-98 Actual Spending	\$109.6 million

Expanding Markets has developed a strong business line focus **to work with industry and other partners to improve and secure market access and enable the agri-food sector to capture opportunities for trade in domestic and export markets, with a focus on higher-value agri-food products; and to increase domestic and foreign investment in the sector.** As a result, in 1997-98, we have been able to ensure that AAFC will be well positioned to assist the Canadian agriculture and agri-food industry to meet their challenging objectives going into the new millennium to:

- ▶ increase Canada's global market share
- ▶ increase the global value of our exports
- ▶ increase the proportion of the higher-value component of exports.

New Partnership

In response to the government-wide initiative to increase horizontal integration, AAFC partnered in 1997-98 with the Department of Foreign Affairs and International Trade (DFAIT) and Industry Canada (IC) to define an International Business Development (IBD) Strategy. We contributed strongly to the development of an IBD performance framework and to the introduction of **Team Canada Inc (TCI)** (launched in February 1998) as Canada's international business development network which will provide a virtual, single-window access to an integrated policy, program and services framework in support of Canadian exporters and the promotion of their products and services.

ACCOMPLISHMENTS

MARKET ACCESS

Expanding Markets Business Line continued to play a crucial role in maintaining and securing new access to markets for Canadian agriculture and agri-food products, including the maintenance of access to our major traditional market, the U.S. This represented to Canadians a total of \$22.3 billion in world export trade in 1997.

Implementation of the Canada/Chile Free Trade Agreement on July 1, 1997 has provided for immediate duty free access for some of Canada's important agri-food export interests. These include durum wheat (seasonal), barley and barley products, lentils, white pea and other beans, most horticultural products and preparations thereof, juices, alcoholic

Market Access Objective:
Improved and more secure access to international markets and reduction in internal barriers to trade.



Increased Exports of Durum Wheat

In October 1997, EU officials agreed to lower their hard vitreous kernel requirement (a quality parameter) for durum wheat for the remainder of the 1997/98 crop year. This has resulted in an increase in Canadian durum wheat exports to the EU of approximately \$50 million (from \$75 million to \$125 million) as of the end of March 1998.

beverages. The agreement also provides for immediate duty free access for important quantities of pork, beef and Canola oil.

Negotiations relating to the accession of China and Taiwan to the World Trade Organization (WTO) continued, showing significant progress in a number of key areas, and preparations for regional (Free Trade Agreement of the Americas (FTAA)) and multilateral (WTO) negotiations are well

underway. These negotiations will create new and expanded market opportunities for Canadian agriculture and agri-food exports.

AAFC Efforts Improve Market Access for Canadian Agriculture and Agri-food Products

We have been working closely with producers, processors and the provinces to defend Canadian interests in trade disputes. Effective dispute settlement has been a significant WTO accomplishment. At the WTO, we are also preparing to defend the Canadian dairy industry's export pricing practices against a challenge by New Zealand and the United States. This export pricing system allows Canadian dairy farmers to supply the international market with competitively priced dairy products.



Successful Challenge of Ban on Beef Imports

Canada successfully challenged the European Union ban on imports of beef from cattle treated with growth-promoting hormones and subsequently challenged the proposed EU timetable for bringing its measures into conformity with WTO rules. This represents a first successful test of the WTO Sanitary and Phytosanitary (SPS) Agreement establishing the requirement that countries must scientifically justify trade restriction measures.

Without rules-based trade at the world level, Canadian agri-food export goals would encounter serious obstacles. The next round of WTO negotiations, which is set to begin in late 1999, is crucial in this regard. AAFC has been conducting extensive consultations with the provinces and agriculture/food/beverage industry stakeholders in order to develop Canada's negotiating position and continue the trade reform process.

In our role in promoting export growth, we worked with our partners in support of

Canadian industry through the resolution or reduction of technical and other trade barriers.

Building on the success of industry meetings in Ontario in 1996, we facilitated another successful industry symposium "From GATT [General Agreement on Tariffs and Trade] to the WTO" in Saskatchewan in 1997. We will contribute to similar events in Alberta and Quebec in 1998. These consultations were successful in stimulating industry thinking about the future and what Canada's negotiating position should be in the next WTO negotiating round. They also provided a valuable service in informing industry about each other's concerns and goals.

In promoting Canadian interests in international fora, we supported a number

of ministerial meetings this year (Quint, OECD, FAO Ministerial, and Cairns Group) which were important in representing and promoting the interests of our sector.

Minister Vanclief chaired the 29th Session of the United Nations' FAO Ministerial Conference in November 1997 in Rome, Italy, where he insisted on the link between food security and rules-based trade. While there, he met with agriculture ministers from other nations to discuss world food security and Canada's interests in WTO trade negotiations.

In January 1998, we supported ministerial meetings with U.S. Agriculture Secretary Dan Glickman to discuss a wide range of Canada-U.S. agri-food issues. In March 1998, Minister Vanclief and 25 other OECD Agriculture Ministers emphasized the need to build on the success of the Uruguay Round in the next round of trade talks.

MARKET DEVELOPMENT

Our efforts in market development are aimed at contributing to increased sales of Canadian agriculture and agri-food products. In 1997, agriculture and agri-food exports surpassed the \$22 billion mark and consumer-oriented exports experienced an 18% growth. To capitalize on this momentum, we have been working closely with the Canadian Agri-food Marketing Council (CAMC) and the sector in order to assist industry in setting their new target of 4% of world trade in agri-food products, with a focus on higher-value products, and a reversal of the current ratio of bulk commodity exports to processed agricultural products exports from 60:40 in 1995 to 40:60 in 2005.

Agriculture Taking on the World's Markets...and Winning

To support this challenge, we committed to work with the provinces and industry to implement the recently developed medium-term priority market action plans, including the United States, Japan, European Union, China/Hong Kong, South Korea, Taiwan, Mexico and Brazil. These priority markets accounted for nearly 80% of the value of Canadian agri-food exports worth approximately \$17.5 billion in 1997. Minister Vanclief's trade mission to Asia this past spring paved the way for the signing of bilateral agreements which will lead to improved market access in countries such as China. A trade mission in the fall of 1998 to Latin America will help Canadian exporters gain access to these markets.

<p>Market Development Objective: Contribution to increased sales of Canadian agriculture and agri-food products.</p>

The Asian financial crisis did have an unexpected effect on our agri-food exports to South Korea. While we were successful in securing the temporary suspension of export credit financing restrictions, the delay in achieving this has led to increased monitoring and a more in-depth assessment of the situation.

In order to maximize future opportunities, we are also developing, in collaboration with provinces and industry, emerging markets strategic plans for

Singapore, the Philippines, Russia and Colombia, where important opportunities are expected to arise in the coming years.

AAFC Assists Industry in Expanding Market Opportunities

Export markets are growing faster than the domestic market, but in 1997-98, we increased our focus on opportunities in the Canadian market. We have been working closely with the provinces and the industry to set the stage to ensure that companies and products can maintain and grow their share of the domestic market.

In 1997-98, AAFC drafted 27 food and beverage processing sector analyses. These reports are fundamental to assisting government and industry to understand the processing sector, its major trends, opportunities for market growth and challenges to the year 2000. They will play a key role in supporting the development of policies and programs that will assist the future growth of the sector.

ExportSource Fills a Need

Agri-food Trade Service (ATS) On-line is an important component of ExportSource, providing vital information to Canadian business. The number of daily hits on the web site more than doubled from 600 in 1997 to 1,300 less than a year later.



Through the Agri-Food Trade Service (ATS), the agri-food arm of **Team Canada Inc** (TCI), potential new and existing agri-food exporters were provided a single on-line point of contact, giving them simplified access to international market information and intelligence, export counselling and export support programs. Trade shows, promotions and the coordination of missions are also key elements of the ATS.

We have supported **ExportSource**, a service developed by the **TCI** partners to link Internet sites government-wide, and provide immediate market information on regulations, financing, statistics, trade

shows, missions and more. One of our "Use of Service" indicators relates to changes in traffic on our various web sites, including ATS On-line, Agricultural Industry Services Directorate's (AISD) commodity-based web sites, Food Bureau, the International Trade Policy Directorate (ITPD) web sites and the MISB Regional Faxback service. Using the number of log-ins and number of on-line requests, we have noticed a considerable rise in interest. This monitoring is in its initial stages and will be bench-marked for future comparison.

Food Fair Participation Pays Off

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.

To enhance Canada's image as a reliable supplier of internationally competitive products, we have participated in at least eight of the world's key food shows, including SIAL, ANUGA and FOODEX. The impact of buyers' missions and participation in trade shows will be maximized through tracking and follow-up with Canadian companies and foreign contacts to maintain momentum and identify and resolve any issues that may have arisen subsequent to these events.

In February 1998, an initiative entitled “Access Latin America” brought together 25 Latin American buyers and nine Trade Commissioners with export-ready Canadian companies in Toronto, Montreal, and Moncton. Although still early to report sales, 83% of participating companies in Ontario and Quebec and nearly 50% of companies in the Atlantic suggested that the connections made during this initiative had or could lead to increased exports to Latin America.

Market Development Initiatives Working for Canadians

At one of its regional stops, Paul-Arthur Huot, Executive Director of *Club Export Agro-alimentaire du Québec* stated that *Access Latin America* “was an unparalleled success. Exporters, organizers, everybody thinks so One thing is sure, this event confirmed our choice of Latin America as a strategic export destination.”

In a subsequent letter to our Quebec regional office, M. Huot wrote:

“We are pleased to inform you that a major promotion of Lac Brome duck and several other Canadian food products will be held in Brazil during the Departmental agri-food mission’s visit. This promotion, which has the full support of the Club Export and in which several of its exporting members are involved, is sure to generate significant sales of value-added products.”

INVESTMENT

As a springboard to increasing Canada’s exports, we have been working on the domestic front to encourage improved competitiveness, and position Canada as the supplier of choice for the 21st century.

A 1997 study by KPMG named Canada as a prime location for business investment. The study concluded that Canada had lower business costs than the United States and five leading European countries: France, Germany, Italy, Sweden and the United Kingdom.

In order to capitalize on this potential, we have been focusing on better defining the role of direct investment in developing supply capability. By enhancing our investment climate and by making new efforts to attract investment, we are determined to encourage the adoption of new technology to maximize the competitiveness of Canadian agriculture and agri-food products in the global economy.

Investment Objective:

Contribution to enhanced capability to supply internationally competitive Canadian agriculture and agri-food products.

**More and More Investors
Are Choosing Canada's
Agriculture and Agri-food
Sector**

Collaboration between governments and with stakeholders has been an important approach in encouraging investment in our sector. When Federal/Provincial/Territorial Ministers of Agriculture met in July 1997, they agreed to develop a joint agri-food investment strategy to maintain existing investment and to promote new investment. As a result, we were a major contributor to the Federal/Provincial Agri-Food Investment Strategy which is to be presented at the Federal/Provincial/Territorial Ministers of Agriculture meeting in July 1998.



Partnership Pays Off

Working with the Canadian Poultry and Egg Processors Council, a leading Quebec poultry processor, the University of Guelph and the Canadian Food Inspection Agency, AAFC facilitated the development of a new, bacterial detection and wash technology.

Investment in the new process and the approval of more streamlined inspection procedures is expected to save poultry processors up to \$10 million annually.

Our active partnership in investment-focused events, such as the Chinese Investors' Conference in Vancouver last fall, the Agriculture Biotechnology International Conference in Saskatoon in June 1998 and numerous incoming missions, has helped acquaint foreign journalists, buyers and investors with Canada and its high-quality products. Our coordination of Canadian participation in key outgoing missions (e.g., cereals-based mission to Japan) and international trade shows has also provided opportunities for investment and strategic

partnering in Canada that our agri-food companies would otherwise not have had.

Industry is looking to achieve its goal of increasing higher-value consumer products from 40% to 60% of agri-food exports by 2005. In order to assist, we have been focusing on the development of initiatives that will significantly increase the rate of adoption of new technology and increase the scale of many of our food processing plants.

Working with Investors

Working with investors, Rapid Response Teams have been created to work with firms facing significant investment decisions. Combining the expertise of municipal, provincial and federal governments and agencies, these teams provided investors with a wide range of timely and pertinent information needed to build the best case for Canada. The Rapid Response Teams played a major role in decisions by a number of food processing companies to either build new production facilities or expand their existing operations in Canada.

2. INNOVATING FOR A SUSTAINABLE FUTURE

Planned Spending	\$321.2 million
Total Authorities	\$352.8 million
1997-98 Actual Spending	\$352.5 million

The agriculture and agri-food sector in Canada is emerging as one of our most innovative, knowledge-intensive economic sectors. Commercialization of innovative new technologies and development and adoption of sustainable resource management practices have aided the sector in its drive to remain competitive in the global marketplace. AAFC is striving to design its agricultural policies and programs to be environmentally sustainable and, where possible, to enhance the protection of the natural resources on which agriculture depends.

AAFC's *Innovating for a Sustainable Future* Business Line has the long-term goal of working with the Agriculture and Agri-food sector and other government partners to **support the sector's efforts to develop and produce competitive products and processes in an environmentally sustainable manner**. Research Branch, Prairie Farm Rehabilitation Administration (PFRA) and the Environment Bureau of Policy Branch have directly contributed activities to the 1997-98 Departmental achievements in this area of emphasis.

ACCOMPLISHMENTS

AAFC has significantly contributed to innovation and environmental sustainability within the *Agriculture and Agri-Food Sector* in numerous ways during 1997-98.

INNOVATION

If public support for federal science and technology is to remain strong, AAFC must continue to target agriculture and agri-food research and development in activities that demonstrate the capacity to maximize returns to society. The focus of these activities is on R&D that will protect the health of our agricultural resources, crops, domesticated animals and food. The following table identifies some projected returns on investment (ROI) on applied research on which the department is currently leading development.

Projected Returns on Investment in Applied Research			
	Potatoes	Wheat	Swine*
ROI	28%	34%	53.7%
Benefit/Cost	10:1	10:1	6.4:1
Net Benefit/Year	\$220 M	\$377 M	\$590 M
R&D Focus - Loss Avoidance	50%	75 %	n/a
R&D Focus - Yield Increase	50%	25%	n/a

* The swine ROI study was completed in 1997-98.

Research for Results

Innovation Objective:

Increased development, availability, and adoption of products, processes and practices that contribute to competitiveness and environmental sustainability.

Departmental efforts have been primarily geared towards science and technology that has value to the country but which the private sector, working alone, cannot provide at a profit. The Matching Investment Initiative (MII), and other programs like the Canada-Saskatchewan Agri-Food Innovation Fund (AFIF), move the department towards increased collaboration. In 1997-98, a total of 930 projects were approved. Federal contributions in 1997-98 to the MII totalled in excess of \$29 million.

The following are examples of successful collaborative projects. Working with the Canola Council of Canada and Monsanto, the Saskatoon Research Centre is looking at Novel Trait canola varieties with resistance to broad spectrum herbicides. At the Pest Management Research Centre in London scientists are working with the Ontario Ministry of Agriculture, Food and Rural Affairs (OMAFRA), the Ontario Apple Marketing Commission, Queen's University and growers to develop biological control methods for spider mites.

Ag Research Pays Big Dividends

AAFC wheat breeders have released 13 improved varieties in 6 wheat classes since developing a check-off agreement with prairie producers in 1995 which doubled wheat breeding efforts. Programs are on track to increase yields by 15% over the first 10 years of the agreement. Since Canada exports more than \$5 billion of wheat annually, increased yields will contribute \$750 million to exports. New wheat varieties contain 0.75 % units higher protein than older varieties. The higher quality adds at least \$10 to the value of a tonne of wheat, increasing exports by \$250 million annually. Wheat breeding research thus will contribute \$1 billion to the \$40 billion export target.

Pay-Back of 10:1



If you look at the economic impact of hog-related research, it is clear that investment in agricultural research is paying off. A sectoral investment of \$1.3 billion in swine-related research of the past 24 years has made a net contribution of \$12.1 billion to the Canadian economy.

AC Cartier, a soft winter pastry wheat, was registered in 1997. Its improved winter survival is of interest to milder areas such as southern and eastern Ontario, Quebec, U.S. corn belt states and even further south. The distributor sowed 700 acres in the fall of 1997. Seed for commercial production was available in the spring of 1998.

Stronger durum wheats such as AC Morse will maintain Canada's high value durum market in competition with higher quality wheats from Australia.

Overall there are \$400 million per year in net benefits (value added or loss avoidance) for wheat grown in Canada.

Electrolyte fluid replacement research is ongoing. It is presently in use on beef cattle in Canada. A similar swine product is in the registration process. The impact on beef cattle is to reduce the incidence of dark cutters (dark meat) and increase the yield and quality. The potential value of this technology in Canada

on the marketplace is estimated at \$85 million for beef cattle, young calves and swine.

Elimination of the halothane gene in swine will result in a \$5 million annual saving from a pork quality perspective for the sector.

Diseases are limiting factors in the production of ginseng in North America. The largest concentration in North America is in southern Ontario where approximately 1,850 hectares are in production. Root rots caused by two plant pathogens, *Cylindrocarpon destructans* and *Phytophthora cactorum*, are regarded as the most serious diseases. Furthermore, as ginseng has pharmaceutical applications, pesticide residues are of concern. The Pest Management Research Centre is evaluating various types of composts known to harbour microbes that can reduce the activity of the pathogens.

Research Contributes to Increased Soy Food Product Sales

Exports of Food Grade soybeans are now approximately \$100 million. While the potential market is several fold larger, it is impossible to judge the extent and effect of the Asian economic crisis on this export over the next five years. It should be noted that top quality beans, such as Harovinton, are still being purchased.

Researchers at the Greenhouse and Processing Crops Research Centre in Harrow, Quebec, have bred new varieties of soybeans suited for the high-heat-unit area in southern Ontario that also provide high protein levels demanded by Far East markets.

The U.S. and European market for tofu and other soyfood products is approximately doubling every 4 years and in the U.S. alone, the tofu market is worth about \$150 million. Canadian beans should certainly be able to claim a share of the European market, which could be estimated to be at least as large.

SUSTAINABLE RESOURCE USE

The balance between capitalizing on highly efficient agricultural production systems to achieve broad economic goals while wisely using a finite natural resource base and managing associated environmental risks was still clearly evident in 1997-98. Environmental and resource issues tackled by AAFC during the year through programs like Green Plan included studies and technology transfer of sustainable practices conserving the country's finite land resource while addressing inherent limitations to soil productivity. Over its five year length, the Green Plan has provided a heightened awareness of sustainable farm management practices and has provided both technical assistance and funding for over 1,200 projects with 300 farm organizations exposing over 30,000 people to these concepts over the length of the agreement. Sustainable practices promoted through Green Plan include shelterbelt plantings, forage rotations, waste oil recycling, crop residue management, biological pest control and direct seeding systems that have resulted in enhancement of soil and water quality.

A new two year, \$10 million AAFC initiative called the National Soil and Water Conservation Program (NSWCP) was established in 1997-98 under the Canadian Adaptation and Rural Development (CARD) Fund to be administered by industry led adaptation councils in the non-prairie provinces, and by PFRA in the prairie provinces. The Program has been designed to help address the agriculture and agri-food sector's top priority environmental sustainability issues. The impact of the first year of this program will be reported in the next fiscal year.

AAFC Helps Shape Environmentally Friendlier Future

Sustainable Resource Use Objective:

Increased adoption and utilization of sustainable land and water management systems that will afford greater economic security.

Prairie Farmers Care

A prairie-wide farmer survey of 810 respondents indicated 69% of the respondents did participate in activities and events over the past years to gain greater knowledge of sustainable farming practices.

Concerns with water quality and supply in rural areas were addressed in 1997-98 with program activities in the Partnership Agreements of Water-Based Economic Development and Municipal Water Infrastructure and the Rural Water Development Program. The devastation left behind by the 1997 Red River Flood highlighted these concerns as a result of several cases of biofouling of domestic drinking water supplies from well sources throughout the region. AAFC worked together with area

farmers to develop and use an innovative new coagulation treatment system to treat more than 120 dugouts on an emergency basis following the Red River Flood. The results of this large-scale experiment show great promise for the technology and will be further refined in the coming years.

INTEGRATED POLICIES AND DECISION-MAKING

Integrated Policies and Decision-Making Objective:

Integration of environmental and economic considerations into departmental, sectoral, community and individuals' decision-making.

Work was underway in 1997-98 by AAFC to develop and implement a monitoring mechanism for sustainable development commitments that are identified in *Agriculture in Harmony with Nature*. Both the department and the sector are incorporating a Sustainable Development Strategy (SDS) into their business lines and business practices. Two of the initiatives that

demonstrate the department's commitment to implementing the SDS are the development and implementation of an AAFC Biodiversity action plan and the development of a sectoral response to the Kyoto agreement. The Biodiversity Action Plan is intended to help decision makers in the department and the sector to integrate biodiversity considerations into their day-to-day management. In addition to the *Biodiversity in Agriculture: Agriculture and Agri-Food Canada's Action Plan*, the department released two companion documents, *Biodiversity Initiatives: Agriculture and Agri-Food Canada*, and *Biodiversity Initiatives: Canadian Agricultural Producers*, that describe various departmental and produce biodiversity initiatives.

The department is developing a national strategy for policy, program, research and technology transfer for the agri-food sector to contribute to Canada's national goals under the Kyoto agreement. The ultimate impact of this strategy will be to reduce greenhouse gas emissions and to develop measures that the agri-food sector could use to adapt to climate change.

Agriculture is responsible for about 10% of Canada's greenhouse gas (GHG) emissions. Funded under the Green Plan, a recently completed five-year, \$7.5 million AAFC research initiative significantly advanced our understanding of agricultural emitters (sources) and "sinks" (absorbers) of greenhouse gases. This scientific work will contribute to developing ways to reduce sources and enhance sinks within the sector.

Ongoing departmental efforts also involve ensuring assessing current agricultural policies' and programs' impacts on the environment. In 1997-98, an integrated environmental-economic assessment of the Federal-Provincial Crop Insurance program and an environmental assessment of the National Tripartite Stabilization Plan (NTSP) for Sugar Beets were completed by AAFC. Neither of these programs were found to have significant impacts on the environment. Also, the Department completed peer reviews of a new *Guide to the Environmental Analysis of Agricultural Policies and Programs*. This document will guide future policy and program environmental assessments conducted by the Department.

The department is developing partnerships between industry and different levels of government to address environmental issues affecting the hog industry. The provincial governments have an extremely important role in hog environmental issues, as they both regulate the industry and have the most direct contact with the industry in providing advice. Much of the success of the Hog Environmental Management Strategy (HEMS) will depend on the department's success in partnering with them.

AAFC's Pioneering Work Adopted by Canadian Environmental Assessment Agency

The methodologies, models and indicators developed in 1997-98 through the Agri-Environmental Indicators project have provided tools for future environmental analysis. AAFC's pioneering work was recognized in the 1998 report of the Commissioner of the Environment and Sustainable Development and is being adopted by the Canadian Environmental Assessment Agency for application in other federal agencies.

3. STRONG FOUNDATION FOR THE SECTOR AND RURAL COMMUNITIES

Planned Spending	\$749.8 million
Total Authorities	\$1,116.1 million
1997-98 Actual Spending	\$1,097.6 million

The Strong Foundation for the Sector and Rural Communities business line **works with industry, provinces and other partners to enhance the sector's economic viability, while strengthening opportunities for rural community economic development** through:

- ▶ national safety net programs for the management of production and market risks;
- ▶ initiatives to help the sector adapt to an evolving business climate;
- ▶ regulatory and framework policies particularly in relation to the grains and supply-managed sectors;
- ▶ initiatives which ensure an enhanced accessibility to federal programs, benefits and services in rural areas, and infrastructure development in the Prairies; and
- ▶ the promotion of the cooperative sector.

ACCOMPLISHMENTS

POLICY FRAMEWORK

AAFC's Policy Framework Keeps Pace in a Fast-Moving World

The agriculture and agri-food sector experienced 3.5% growth last year. With farm incomes up and input prices holding steady, producers have the opportunity to reduce debt loads and invest in capital development and market growth. In a recent survey, 59% of producers in Quebec gave priority to re-investing in their own operation rather than making non-farm investments. 34% of Canadian producers as a whole indicated that they were very serious about expanding their operations in order to stay competitive, despite their concern about import competition. This was particularly true of younger farmers and farmers with sales in excess of \$250,000 per year. Major investments, at both the production and processing levels, help to enhance the productivity, competitiveness and profitability of the entire sector.

Policy Framework Objective:

An agri-food policy framework that enables the sector to respond to emerging opportunities and adapt to a changing economy.

Monitoring and interpreting economic trends and public policy developments at home and abroad, and identifying the subsequent implications for Canada's agri-food sector are on-going challenges. Our overall aim is to maintain an operating environment in which agri-food businesses can profitably exploit their competitive advantages in domestic and world markets. This past year a number of analyses were completed, many of which continue to contribute to on-going policy discussions, not just within AAFC but across the federal government, with provincial governments and with industry. For example, our study of the impact of zero import tariffs and zero export

subsidies on oilseeds and oilseed products trade clearly demonstrates the benefits of future trade liberalization, and continues to help inform public debate in Canada and abroad.

AAFC's focus on building strong partnerships with the agri-food sector and with other levels of government is a key success factor, as is its commitment to consultation and citizen engagement as integral to effective policy development and program delivery. AAFC attempts to influence, on behalf of the sector, the relevant policy development processes and outcomes of other departments as well. For example, the Department played an important liaison role by overseeing the funding and development of the National Agriculture Pest Management Program operated by the Canadian Federation of Agriculture. This program provided a vehicle to address various pesticide issues and contributed to the building of a stronger relationship between the sector and the Pest Management Regulatory Agency (PMRA) of Health Canada. PMRA's creation of the Economic Advisory Committee provided a focal point for industry/government discussions regarding cost recovery, efficiencies, performance and harmonization, bringing an agriculture perspective to the broader discussions and forging valuable links between some of our important stakeholders and decision-makers in other departments.

The increasing importance of "government-wide files" to AAFC's business makes the Department's commitment to partnership and consultation and its focus on enhancing policy research capacity even more essential. Such files as rural, biotechnology, climate change, sustainable development, regulatory policies, youth and aboriginal affairs are examples of what may be characterized as the new levers that influence growth in the agri-food as well as many other sectors.

RURAL ECONOMY

Risk Management

AAFC continues to work with industry, the provinces and other partners to refine policies, programs and agreements aimed at helping move the agriculture and agri-food industry towards greater self-reliance, higher returns and a reduced cost of doing business. An important aspect of the package as a whole is its ability to help farmers manage the cumulative level of risk in price-neutral ways. Producers are taking increasingly greater responsibility for pro-actively managing risk at the farm level as opposed to relying on government for special measures and ad hoc response programs. For example, farmers now have a total of \$2.5 billion in their NISA accounts and \$5.5 billion in crop insurance protection. There are early indications that participation in Crop Insurance is up by 12% in 1998-99 over 1997-98. Six provinces have signed new federal-provincial agreements which provide universal free or low cost access to a basic level of crop insurance and allow producers to assess and manage their own risks, purchasing additional coverage tailored to meet their needs.

Feds Help Improve Risk Management Capacity of the Farm Community

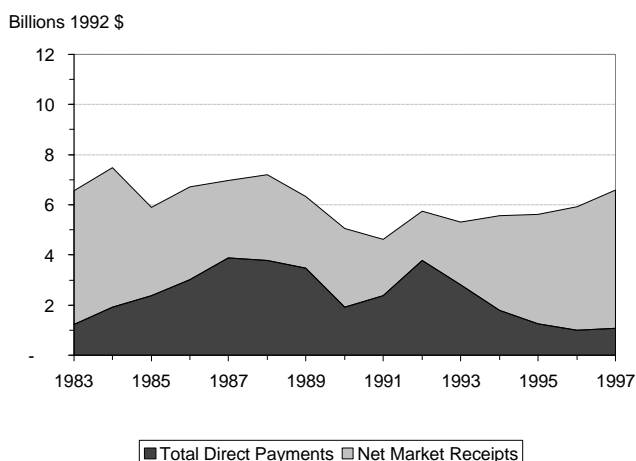
Rural Economy Objective:
A rural Canada better equipped to reach its potential.

Improved Efficiency

The NISA Administration has worked with officials from Revenue Canada to combine the NISA application with the farming income tax return. This initiative has reduced paper burden on producers and eliminated government overlap and duplication. It has also led to the fastest year on record for processing applications and issuing payments to producers.

Improvements to NISA included the expansion of the program to allow an interim withdrawal feature giving producers access to funds when needed, and the location of funds in producer accounts rather than centralized in the Consolidated Revenue Fund (CRF). These changes to NISA administration resulted in a 91% approval rating from participants. These new arrangements provided the flexibility last year to deliver special assistance in the wake of the Manitoba flood and the eastern Ontario and Quebec ice storm.

Farm Market Income and Direct Government Payments - Canada



Net Farm Cash Income has been relatively stable but with a slight upward trend since the early 1990's. At the same time, net government payments have been reduced significantly. In other words, producers have been successfully earning more and more of their income from the marketplace.

Source: *Farm Income, Financial Conditions and Government Assistance Data Book*, AAFC

In the supply management sector, innovation, responsiveness and some shift towards more market-driven growth has been demonstrated by a 5.8% increase in production for the domestic dairy market and a 25% increase in dairy exports. While prior export levels were low, this current growth helps to demonstrate the willingness of the sector to meet the global challenges facing the industry. Dairy sector growth, as well as the poultry industry's 4.8% increase in production and its exploration of export market opportunities also indicates an acceptance of greater ownership of industry challenges in the face of pressures on traditional domestic systems.

This movement towards industry responsibility is also seen in the grains sector. AAFC played a major role in drafting and coordinating the passage of Bill C-4 which restructures the Canadian Wheat Board to provide more flexible operations, improved cash flow and greater decision-making authority to farmers. A restructured Canadian Wheat Board with two-thirds producer

representation will enjoy greater flexibility to manage in the sector's interests, resolving its own problems and fostering more timely response to customer demands and producer concerns. New provisions allowing on-farm storage, direct buying from producers and contingency funding will move the sector towards greater financing of its own risk.

Government Investment in Adaptation Moving Sector Towards Greater Competitiveness and Self-Reliance

Adaptation

An investment of \$60 million per year in the Canadian Adaptation and Rural Development (CARD) Fund is helping industry to hone its competitive edge.

Key to the success of the CARD fund is its industry-led decision-making and delivery. Through 23 national initiatives and 13 regional councils, CARD is helping the sector seize opportunities emerging in the changing marketplace.

Initiatives such as the Business Planning for Agri-Ventures, the Canadian Agricultural New Uses Council, the Canadian Farm Business Management Program and the Canadian On-Farm Food Safety Program, will expand the range of products that can be produced, raise food safety as a growing marketing issue and improve the ability of individuals and firms to manage their businesses and to invest in new opportunities.

CARD has also enabled farms and firms to realize that good environmental practices can trigger innovations and lower costs. More than 6,000 Ontario farmers made Environmental Farm Plans a component of their management practices that protect the natural environment.

Canadian producers are continuing to improve Canada's high-quality food safety standards by working together with Government across a wide range of commodities on food safety. The development of initiatives for commodities under the Canadian On-Farm Food Safety Program, funded by CARD, is a vital step in advancing the competitiveness of the sector.

The greatest strength of CARD's industry-led, third-party delivery is its contribution to citizen empowerment and program viability. Another important asset is the ability of its adaptation councils and national initiatives to mobilize and lever funding from the private sector and other levels of government. Fundamental building blocks for accountability and results-based management have now been established for each of 36 regional and national initiatives.

AAFC has helped producers adapt to change in other ways as well. In the past year, the department contributed to the redefinition of some of our major institutions in western Canada. Substantial changes are being made in the grain transportation and handling system. Our implementation of initiatives under the \$300 million Western Grain Transportation Adjustment Fund (WGTAFF) helped

Service to Clients is A-1

The Business Planning for Agri-Ventures program has been established to help participants learn more about business planning and select an experienced agri-consultant. The program will also pay up to half the cost of a business plan and has such information as lists of lenders and sources of venture capital.

"...the service I received was amazingly rapid, the people were friendly and courteous. The program itself has enough latitude to address special situations such as ours and provide a response quickly and efficiently....you are the exception to the rule regarding dealing with government agencies."
(P.E.I. participant in the program)

Finding New Solutions to Old Problems



An unfortunate by-product of the manufacturing of cheese is a smelly wet sludge. With funding through the National Soil and Water Conservation Program (part of CARD), Parmalat Canada is pilot testing a new technology which could revolutionize waste management in the Canadian dairy and other sectors by converting the by-product which is costly to dispose of to an odourless solid that may have retail value.

"The funding made available to us allows us to test a new technology on an old problem. Without the funding it is unlikely that this technology would have been tested....I personally feel this technology, if successful, could revolutionize sludge handling operations."

(Rob Edwards, Parmalat Canada)

producers cope with this transition. AAFC has funded infrastructure projects, helped in the adjustment to a new CWB pooling regime and assisted the dehydrated alfalfa and compressed hay industries. The Department continues to follow closely the progress of the independent Grain Transportation Review, led by Justice Willard Estey, which is expected to report in December 1998.

Rural

Through the Canadian Rural Partnership (CRP) a foundation for enhanced growth and stronger rural communities is being put in place. With AAFC facilitating the cross-government CRP, the Government of Canada is paving the

way for stronger rural communities by listening and responding to rural Canadian's needs and concerns, by applying a "rural lens" to federal policies, programs and services to ensure their impact on rural communities is taken into consideration, and by providing rural Canadians fuller access to federal programs, services and information, thereby paving the way for rural Canadians to take advantage of opportunities and fostering stronger rural communities.



Partnerships Increase Results

Four communities in Manitoba decided to pool funding under the Canadian Agri-infrastructure Program to develop a regional gas distribution system in partnership with the Interlake Natural Gas Cooperative and the province. Construction on this \$53 million project (\$2.4 million from AAFC) is expected to start in September 1998. This project will facilitate the development of value added processing of grain in the region.

The federal Interdepartmental Working Group (IWG), established as part of the Canadian Rural Partnership, has nearly doubled its membership to 22 federal departments/agencies. The success of this horizontal approach, based on active, coordinated participation by departments/agencies in responding to the needs of rural Canadians, is such that the Privy Council Office has recently indicated it is a model to be emulated. The IWG has been complemented by the formation of federal rural teams in all provinces and territories.

Government Connects with Rural Citizens, Gives Rural Issues a Platform

Improving access to information is a key element in the success of responding to the needs of rural Canadians. Information on how to access federal programs and services is now available through a wide range of federal points of contact and has been shared with numerous organizations and individuals across Canada. Rural Canadians and key stakeholders have indicated that material made available through 157 rural fairs/exhibits in the past year and more than 3,600 resource kits distributed to government/industry officials was effective in raising awareness of the programs and services available from the federal government. The Canadian Rural Information Service (CRIS) is effectively meeting the information needs of rural Canadians on a range of topics of interest to farmers and other rural Canadians, via a website with over 125,000 hits on the site in 1997-98, and a toll-free number. The government is building on these initiatives in 1998 by engaging rural citizens in a dialogue, which is giving rural Canadians the opportunity share their issues and concerns, and contribute to the development of federal policies and decisions affecting them and their communities.

Since 1935, the Prairie Farm Rehabilitation Administration has been connecting with rural citizens in the prairies. It has supported rural communities through programs that invested in infrastructure, supported rural economic development and provided technical expertise. During the past year the Canadian Agriculture Infrastructure Program, and other programs, have helped the agriculture industry adjust to transportation reform, fostered increased agricultural diversification and the development of value-added processing, invested in alternative crops and provided financial and technical assistance in overcoming water constraints.



Rural Water Pipelines Help Prairie Communities

PFRA provides assistance for the development of rural water pipeline systems. Through these projects, reliable water supplies ensure the stability and development of rural areas and ease the impact of drought. For example, the Coteau Hills Rural Water Pipeline in west central Saskatchewan supplies water from Lake Diefenbaker to a region characterized by poor quality and unreliable water supplies. This rural water pipeline serves 88 farms, the Beechy Hutterite Colony, the villages of Lucky Lake and Beechy, three intensive livestock operations and two large potato storage facilities.

Over 60 rural water pipeline projects have been developed in Saskatchewan by 40 different public utilities or cooperatives with technical and financial assistance from PFRA. The Cutbank, Weyburn and Wood River Utility Boards, as well as the Coteau Hills, Melfort and Outlook West Rural Pipeline Associations had rural water pipeline projects underway in 1997-98.

COOPERATIVES

AAFC has worked closely with Industry Canada and the two major co-operative associations to develop the new *Canada Cooperatives Act*. The legislation provides cooperative enterprises with a choice of financial and administrative instruments to help meet the challenges of the new global economy, while maintaining and strengthening what is unique to cooperatives: democratic control in the hands of members. This means that the groundwork is now in place to ensure that the cooperative is a well-understood business form, which is chosen for its special advantages, as are such business forms as corporations and partnerships. Plans are under way to disseminate information through Canada Business Service Centres on the structures and requirements of the cooperatives business form, and on its potential as a self-help vehicle in an increasingly changing and global economy and society.

**More New Businesses
Choosing to be Co-ops**

Cooperatives Objective:

A federal policy framework that supports the development of co-operatives.

4. CORPORATE POLICIES AND SERVICES BUSINESS LINE

Planned Spending	\$78.4 million
Total Authorities	\$68.1 million
1997-98 Actual Spending	\$66.2 million

In March 1997, the Corporate Policies and Services business line committed to achieving a number of results centered on strengthening **sound management** within the department. Over the performance period, the focus of the business line has been to help provide the department with the management infrastructure, personnel, and the working tools needed to provide quality services, programs and sound management. With the department's ongoing commitment to the development and implementation of results-based management, the business line has also worked to help the department build the capacity necessary to make this initiative happen.

To better meet the needs of the department, the Corporate Policies and Services business line has undergone a number of evolutionary changes over the planning period. Key amongst these changes has been the adoption of a single key result area "Sound Departmental Management". Sound Departmental Management is meant to be a shared departmental objective to which all AAFC employees contribute. While the corporate branches contribute to sound management by playing certain unique service, advisory and monitoring roles, it is the responsibility of the whole department to work towards and support sound departmental management.

There are four shared departmental outcomes which support Sound Departmental Management:

- ▶ a shared sense of direction;
- ▶ a motivated and representative organization;
- ▶ the right tools, systems and processes; and
- ▶ an organization that is committed to continuous improvement.

ACCOMPLISHMENTS

SOUND DEPARTMENTAL MANAGEMENT

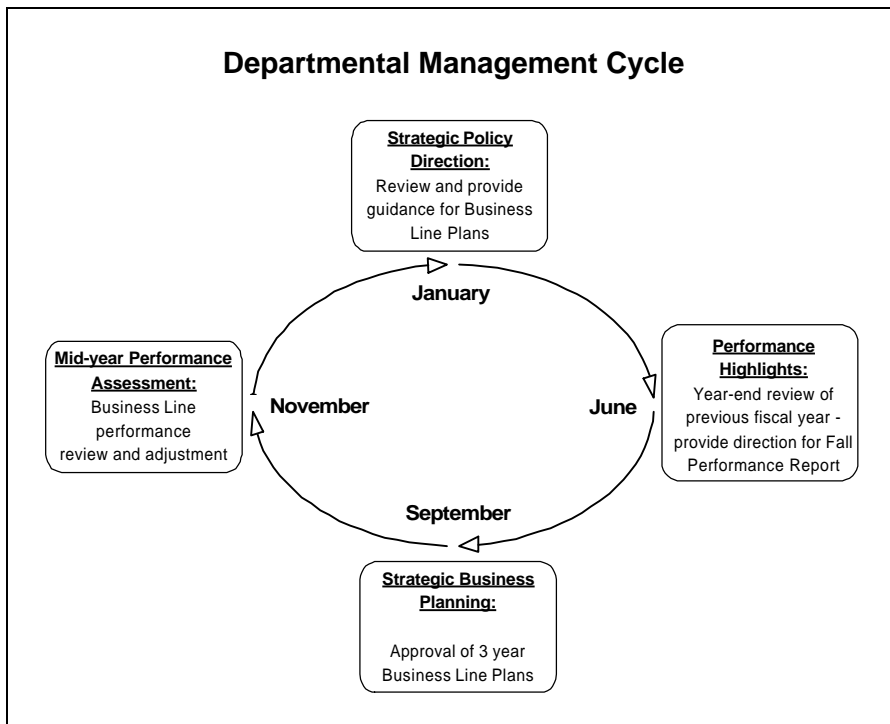
Sound Departmental Management Objective:

To ensure the Department has the capacity, capability and appropriate support services to achieve results for the sector and Canadians in a sound manner.

Shared departmental vision, objectives and values are critical to a well run organization. A well articulated and understood vision and clear objectives provide an organization with a shared strategic focus and the ability to build consistent horizontal strategies in all of its lines of business. A clear understanding of where an organization is going and how it plans to get there helps all members of an organization to better understand what is expected of them and how they can contribute to shared objectives.

A department-wide consultation was undertaken to confirm/update the department's mission, vision and values. In a report prepared for the February DMC retreat, the *Values Team* suggested that the department's existing vision statement should continue to be used but should be validated by the current Minister. Further, the Values Team suggested the four business line objective statements should constitute the department's mission statement. Finally, the team suggested three core values that were developed for departmental consultations — valuing people, integrity and excellence.

In addition, to help the department ensure that people understand when decisions are being made and know when input is required for decision-making, the department has implemented an integrated management cycle.



Sound internal and external communications have also helped foster pride in the organization and help ensure that stakeholders have the information they need. Over the performance period, the department has worked with the sector to promote awareness of agriculture and agri-food's contributions to Canada. The department will continue to lead the pan-government effort to inform rural Canadians of services available to them. Specific accomplishments in this area include:

- ▶ increased access to information on Government of Canada programs in rural Canada through participation in fairs and other activities.

Also important to supporting sound departmental management is a motivated and representative workforce with the competencies and knowledge to deliver on business line results. Building on the government-wide *La Relève* initiative, AAFC has developed *Planning for the Future* which was designed to assist in

AAFC Serves Rural
Canadians

AAFC Strives to be
Employer of Choice in
Federal Government

addressing departmental human resources needs. By having the right people in the right place at the right time, the department will be well-positioned to move into the next century. Specific accomplishments under the *Planning for the Future* initiative included:

- ▶ development and implementation of a corporate diversity management strategy;
- ▶ an Employee Client Survey that provided a baseline of employees' attitudes on a variety of issues. Currently, a follow-up survey is planned in three years time to measure change in attitudes and progress towards associated targets.
- ▶ a new Career Transition Services Unit.

PFRA Employment Equity Program

The Prairie Farm Rehabilitation Administration is faced with the challenge of increasing the number of people of Aboriginal ancestry in its work force. In the current environment of restructuring and budget reductions, employment opportunities for Aboriginal people, especially those with less job experience, are limited. The problem is magnified by the fact that few Aboriginal persons pursue careers in the sciences, engineering and agriculture.

Since PFRA operates in mainly rural areas where there are high concentrations of Aboriginal people, it recognizes the need to have an employee population that is representative of the client base it serves. Moreover, the demographics of the organization point to a number of staff leaving PFRA during the next decade. It is not too early to start planning for a work force that is both technically competent and representative.

The PFRA Employment Equity Program has a two-fold objective. The most important is to identify and provide work experience to Aboriginal persons with potential for public service employment in the technical, scientific or administrative fields. In addition, Aboriginal employees in PFRA must be integrated into a work place that accepts and builds on diversity. Consequently, cross cultural training is judged to be an essential component of the program.

A total of \$200,000 was specially allocated during the 1997-98 fiscal year to fulfill these diversity objectives within PFRA. To date, the Equity Program has provided term employment opportunities to well over 75 (18 in 1997-98) aboriginal people in a wide variety of technical, scientific and administrative capacities throughout the Branch. Cross-cultural training has been custom designed and delivered by First Nations instructors to over 75 (20 in 1997-98) PFRA employees since the commencement of the Equity Program. The ultimate success of this effort rests in the hands of each aboriginal person's capacity to utilize the PFRA work experience to secure a permanent job placement in their field of endeavour and with each PFRA employee's increased level of awareness and acceptance of "people" diversity in the workplace. These indicators of success will be monitored and reported on by PFRA in future years.

The third outcome in the Corporate Policies and Services Business Line focuses on enabling employees. Having the right tools, systems and processes in place is critical in allowing employees to achieve planned results in a efficient and effective manner. The business line has made a number of significant accomplishments in its commitment to modernizing the department's financial and administrative services. Through a review of the management and administrative services (MAS), which is now complected, a number of important achievements in the areas of facilities, finance, materiel, information management and human resources can be noted. Specific accomplishments include:

- ▶ implementation of the Saturn, a new financial and material management system, now underway;
- ▶ a new Long Term Capital Plan under development;
- ▶ an Electronic Information Services Division has been created to support the Electronic Information Products Initiative;
- ▶ a cross-business line working group has been formed to prepare a multi-year information management strategic plan;
- ▶ developing and implementing a corporate Diversity Management Framework (DMF); and development and strengthening of HR Online;
- ▶ enhancing AAFC awards and recognition programs; and
- ▶ Year 2000 readiness of AAFC application systems underway.

ACEIS Fills an Information Need

The business line has been particularly successful in providing for the electronic information needs of the department and the sector through the departmental Web site ACEIS. An independent review of federal government Websites gave ACEIS 3 stars out of 4 for quality and content of the site. Additionally, ACEIS online survey information indicates that, of the yes/no respondents, 96.5% said that their information needs were satisfied.

AAFC gives Canadians the Information They Need When They Need it

AAFC's Year 2000 Readiness

The scope of Year 2000 activities within the Agriculture and Agri-Food Canada (AAFC) portfolio extends beyond internal automated computer systems, facilities (embedded systems) and infrastructure to include raising the sector's awareness of the Year 2000 challenge and addressing emergency preparedness planning for the food supply.

The department's Year 2000 project plan was approved in November 1995 and a Steering Committee was established with representatives from all branches and legal services. Like the U.S. Treasury Department, AAFC has chosen to report bi-weekly on only those components fixed and back in production rather than effort to date.

An inventory indicated that the department has well over 300 automated systems (48 of which are critical), approximately 1,150 buildings, over 5,000 employees and 7,000 PCs (including support computers, home PCs, and laptops). As of August 1998, over 60% of AAFC's 333 applications, 8% of the infrastructure, and 59% of facilities had been made Year 2000 ready.

Year 2000 Preparedness

The department has been recognized as being a leader in preparing for the Year 2000 threat. The consulting firm of KPMG has recently singled out AAFC as being a leader in departmental contingency planning and project management.

AAFC Recognized as a Leader in Preparing for Y2K

Detailed guidelines and clear deliverables have been established to attain year 2000 readiness. Due diligence is being practiced within the department using audit controls and document management. The Review Branch is providing an independent ongoing assessment of conversion activities. This involves auditing of mission critical information systems and a selection of non-mission critical systems to verify that activities follow approved standards and that business risks are adequately addressed. An internal website outlining standards and progress for the department has also been developed.

As of August 1998, AAFC had identified key business functions and the assets required to support them. Within the next several months these functions and assets will be assessed to determine the impact should these functions fail and contingency plans will be developed where required. The department is developing contingency planning guidelines in order to ensure all plans are complete and will work in the event of business function failure. A Year 2000 project risk assessment has also been completed and risk management strategies are currently being developed.

To help address sector readiness, a Year 2000 Internet site has been established to help raise awareness of the potential challenges within the agriculture and agri-food sector. The department has also established a Year 2000 Sectoral Readiness Review Committee that will address contingency planning for the food supply. Recognizing the interdependencies of the food supply chain, the committee has representation from across the portfolio and will focus on the status of contingency planning within the sector.

Continuous Improvement

AAFC is an organization committed to continuous improvement and learning. The department has made some progress at putting in place the mechanisms it needs to better focus on what it is trying to achieve, whether it is achieving it, and whether performance can be improved. Some of the initiatives implemented included:

- ▶ measurement strategies by business lines, to generate the information required for sound decision-making, including performance indicators and other systems, processes and studies required to provide solid, comprehensive analysis on how the department is performing;
- ▶ a total review plan, which reflects the indicators and studies which are going to be undertaken by managers, the Review Branch, and/or central agencies to help managers understand performance within the framework established by DMC.

IV. FINANCIAL PERFORMANCE

FINANCIAL PERFORMANCE OVERVIEW

The 1997-98 fiscal year was a period of transition for AAFC and the Canadian Food Inspection Agency (CFIA). Although the CFIA was created through legislation effective April 1, 1997, it shared the Appropriations of AAFC for the entire fiscal year. All tables in this section exclude information related to CFIA operations. As well, the reporting structure for AAFC changed from the Operational Planning Framework to a Performance Framework founded on four Business Lines. It is for this reason that financial information prior to 1997-98 is not shown by Business Line but rather in total for each year.

The net change between the initial spending plans of AAFC and its total financial authorities was an increase of \$391.0 million (30.5%). This change is principally due to the following:

- ▶ the forgiveness of deficits totaling \$165.0 million in the Crop Reinsurance Funds of Saskatchewan (\$162.0 million) and New Brunswick (\$3.0 million);
- ▶ a \$122.2 million increase in the funding for Safety Net Companion Programs;
- ▶ net increases of \$66.6 million for various non-statutory transfer payments, including dairy subsidies (\$16.8 million), adaptation and rural development transfers (\$15.2 million) and grain transportation reform-related payments (\$14.3 million);
- ▶ various increases to operating funds (\$24.2 million), including \$10.5 million for the Operating Budget Carry Forward from 1996-97;
- ▶ a \$17.3 million payment to the Ontario Wheat Board under the Agricultural Products Cooperative Marketing Act; and,
- ▶ a net decrease of \$6.2 million in Advance Payments programs (\$20.3 million was paid under the Agricultural Marketing Programs Act which repealed the Advance Payments for Crops Act (planned spending of \$1.5 million) and the Prairie Grain Advance Payments Act (planned spending of \$25.0 million)).

The difference between total financial authorities and actual expenditures is a lapse of only \$46 million (2.8%). This difference is largely attributable to lapses in the Operating Vote (\$2.7 million) and in non-statutory transfer payments (\$25.7 million), and to changes in the cash requirements of the Canadian Grain Commission (\$13.7 million).

Revenues generated through the charging of fees for the use of Community Pastures and the Administration of the Net Income Stabilization Account are the largest contributors to the \$12.2 million increase (15.3 %) in actual revenues over the 1997-98 planned Revenues Credited to the Vote. These revenues are available to the Department for respending.

Revenues Credited to the Consolidated Revenue Fund, which are not available to the Department to respend, increased by \$65.5 million over the planned amount for 1997-98. This increase is largely attributable to a \$25 million increase in the refund of previous years expenditures and a \$32.4 million increase in Return on Investments from interest on loans to the Farm Credit Corporation and the Canadian Dairy Commission.

FINANCIAL SUMMARY TABLES

Notes to the Financial Summary Tables:

1. Expenditures in these tables are shown in millions of dollars. For this reason, expenditures which cannot be listed in millions of dollars are shown as 0.0. Because expenditures are shown in millions, rounding errors occasionally occur.
2. Planned spending has been reduced by \$221.2 million to reflect the establishment of the Canadian Food Inspection Agency on April 1, 1997.
3. The Canadian Grain Commission's revolving fund operates on the basis of accrual accounting.
4. Breakdowns of revenues and expenditures by business lines for years prior to 1997-98 are not available.

FINANCIAL TABLE 1. SUMMARY OF APPROPRIATIONS (\$ MILLIONS)

		1997-98 Planned Spending	1997-98 Total Authorities	1997-98 Actual
Vote Agriculture and Agri-Food Program				
1	Operating expenditures	385.1	409.3	406.6
5	Capital expenditures	41.1	39.5	39.5
10	Grants and Contributions	250.0	316.6	290.9
11	To forgive a debt due Her Majesty in Right of Canada amounting to \$165,000,000 in respect of advances made to the Crop Reinsurance Fund pursuant to the <i>Farm Income Protection Act</i>	-	165.0	165.0
12	To authorize the Minister of Agriculture and Agri-Food, on behalf of Her Majesty in Right of Canada, to guarantee the payment of amounts not exceeding at anytime in aggregation the sum of \$170,000,000 for the purpose of making advanced to the <i>Agricultural Marketing Programs Act</i>	-	0.0	-
(S)	Grants to agencies established under the <i>Farm Products Agencies Act</i>	0.2	0.6	-
(S)	Advance payments under the <i>Agricultural Marketing Programs Act</i>	-	20.3	20.3
(S)	Loan guarantees under the <i>Farm Improvement and Marketing Cooperatives Loans Act</i>	4.0	0.7	0.7
(S)	Payments in connection with the <i>Farm Income Protection Act</i> — Transition Programs for Red Meats	3.0	3.1	3.1
(S)	Payments in connection with the <i>Farm Income Protection Act</i> — Agri-Food Innovation Program	19.9	11.2	11.2
(S)	Payments in connection with the <i>Farm Income Protection Act</i> — Crop Insurance Program	210.2	206.1	206.1
(S)	Payments in connection with the <i>Farm Income Protection Act</i> — Canada/Nova Scotia Apple Industry Development Fund	0.1	0.1	0.1
(S)	Payments in connection with the <i>Farm Income Protection Act</i> — 1994 New Brunswick Debt Refinancing Program	0.1	0.1	0.1
(S)	Payments in connection with the <i>Farm Income Protection Act</i> — Net Income Stabilization Account	209.9	203.2	203.2
(S)	Payments in connection with the <i>Farm Income Protection Act</i> — Safety Net Companion Programs	92.3	214.5	214.5
(S)	Minister of Agriculture and Agri-Food — Salary and motor car allowance	0.0	0.0	0.0
(S)	Contributions to employee benefit plans*	39.8	39.8	39.8
(S)	Canadian Grain Commission Revolving Fund	(1.0)	13.5	(0.2)
(S)	Loan guarantees made under the <i>Advance Payments for Crops Act</i>	1.5	-	-
(S)	Payments in connection with the <i>Agricultural Products Cooperative Marketing Act</i>	-	17.3	17.3
(S)	Payments in connection with the <i>Western Grain Transition Payments Act</i>	-	1.8	1.8
(S)	Payments in connection with the <i>Prairie Grain Advance Payments Act</i>	25.0	-	-
(S)	Payments in connection with the <i>Farm Income Protection Act</i> — Crops Sector Companion Program	0.2	-	-
(S)	Payments in connection with the <i>Farm Income Protection Act</i> — Gross Revenue Insurance Program	-	0.2	0.2
(S)	Payments in connection with the <i>Farm Income Protection Act</i> — Canada/Quebec Horti-Plus Program	-	0.0	0.0
(S)	Spending of proceeds from the disposal of surplus Crown Assets	-	5.3	5.3
(S)	Collection Agency Fees	-	0.0	0.0
(S)	Court Awards	-	0.1	0.1
(S)	Canadian Pari-Mutuel Agency Revolving Fund	-	4.1	0.4
Total Department		1,281.4	1,672.4	1,626.4

FINANCIAL TABLE 2. COMPARISON OF TOTAL PLANNED SPENDING TO ACTUAL SPENDING

Business Lines	FTEs*	(\$ MILLIONS)							Less: Revenue Credited to the Vote	Total Net Expenditures
		Operating	Capital	Voted Grants and Contributions	Subtotal: Gross Voted Expenditures	Statutory Grants and Contributions	Total Gross Expenditures			
Expanding Markets	1,182	99.6	-	50.0	149.6	33.7	183.3	51.2	132.1	
		<i>64.3</i>	-	<i>26.1</i>	<i>90.4</i>	<i>42.0</i>	<i>132.4</i>	-	<i>132.4</i>	
	1,164	104.3	-	18.1	122.4	41.4	163.8	53.9	109.9	
Innovating for a Sustainable Future	3,001	265.3	36.9	9.5	311.7	19.9	331.5	10.4	321.1	
		<i>303.0</i>	<i>34.1</i>	<i>13.1</i>	<i>350.2</i>	<i>13.0</i>	<i>363.2</i>	<i>10.4</i>	<i>352.8</i>	
	3,024	305.2	34.1	12.8	352.1	13.0	365.1	12.7	352.4	
Strong Foundation for the Sector and Rural Communities	566	50.4	-	190.5	240.9	512.9	753.8	4.0	749.8	
		<i>222.0</i>	-	<i>277.0</i>	<i>499.0</i>	<i>624.2</i>	<i>1,123.2</i>	<i>7.1</i>	<i>1,116.1</i>	
	518	222.3	-	259.6	481.9	624.2	1,106.1	8.5	1,097.6	
Corporate Policies and Services	795	88.3	4.2	0.0	92.5	-	92.5	14.1	78.4	
		<i>65.3</i>	<i>5.4</i>	<i>0.4</i>	<i>71.1</i>	-	<i>71.1</i>	-	<i>71.1</i>	
	715	74.1	5.4	0.4	79.9	-	79.9	13.4	66.5	
Totals	5,544	503.6	41.1	250.0	794.7	566.5	1,361.1	79.7	1,281.4	
		<i>654.6</i>	<i>39.5</i>	<i>316.6</i>	<i>1,010.7</i>	<i>679.2</i>	<i>1,689.9</i>	<i>17.5</i>	<i>1,672.4</i>	
	5,421	705.9	39.5	290.9	1,036.3	678.6	1,714.9	88.5	1,626.4	
Other Revenues and Expenditures										
Revenue credited to the Consolidated Revenue Fund									159.6	
									<i>187.1</i>	
									187.1	
Cost of services provided by other departments ¹									37.2	
									<i>37.2</i>	
									37.2	
Net Cost of the Program									1,159.0	
									<i>1,522.5</i>	
									1,476.5	

Notes:

Figures for planned spending appear in normal font.

Figures for total authorities are *italicized*.

Figures for actual spending are **bolded**.

Statutory payment numbers do not include contributions to employee benefit plans or other items which are allocated to operating expenditures.

*FTEs = Full Time Equivalents

1. Estimates figure is used as actual figure is unavailable.

FINANCIAL TABLE 3. HISTORICAL COMPARISON OF TOTAL PLANNED SPENDING TO ACTUAL SPENDING (\$ MILLIONS)

Business Lines	Actual 1995-96	Actual 1996-97	Planned Spending 1997-98	Total Authorities 1997-98	Actual 1997-98
Expanding Markets			132.1	<i>132.4</i>	109.8
Innovating for a Sustainable Future			321.2	<i>352.8</i>	352.4
Strong Foundation for the Sector and Rural Communities			749.8	<i>1,116.1</i>	1,097.6
Corporate Policies and Services			78.4	<i>71.1</i>	66.5
Total	2,552.4	2,578.3	1,281.4	1,672.4	1,626.4

**FINANCIAL TABLE 4A. CROSSWALK BETWEEN OLD STRUCTURE AND NEW STRUCTURE FOR 1997-98 PLANNED SPENDING
(\$ MILLIONS)**

Old Structure (Activities)	New Structure (Business Lines)				Total	% of Total	FTEs
	Expanding Markets	Innovating for a Sustainable Future	Strong Foundation for the Sector and Rural Communities	Corporate Policies and Services			
Agricultural Research and Development		255.1			255.1	19.9%	2,314
Inspection and Regulation*							69
Policy and Farm Economic Programs		4.1	747.3		751.4	58.6%	555
Market and Industry Services	126.6				126.6	9.9%	437
Rural Prairie Rehabilitation, Sustainability and Development		61.9	2.5		64.4	5.0%	698
Corporate Management and Services				78.4	78.4	6.1%	726
Canadian Grain Commission**	5.5				5.5	0.4%	745
Total	132.1	321.1	749.8	78.4	1,281.4		
% of Total	10.3%	25.1%	58.5%	6.0%		100.0%	
Full-Time Equivalents (FTEs)	1,182	3,001	566	795			5,544

**FINANCIAL TABLE 4B. CROSSWALK BETWEEN OLD STRUCTURE AND NEW STRUCTURE FOR 1997-98 ACTUAL EXPENDITURES
(\$ MILLIONS)**

Old Structure (Activities)	New Structure (Business Lines)				Total	% of Total	FTEs
	Expanding Markets	Innovating for a Sustainable Future	Strong Foundation for the Sector and Rural Communities	Corporate Policies and Services			
Agricultural Research and Development		286.2			286.2	17.6%	2,322
Inspection and Regulation*							60
Policy and Farm Economic Programs		8.0	1,049.5		1,057.5	65.1%	507
Market and Industry Services	103.5				103.5	6.3%	419
Rural Prairie Rehabilitation, Sustainability and Development		58.2	48.1		106.3	6.6%	714
Corporate Management and Services				66.5	66.5	4.1%	655
Canadian Grain Commission**	6.4				6.4	0.3%	745
Total	109.8	352.4	1,097.6	66.5	1,626.4		
% of Total	6.7%	21.7%	67.5%	4.1%		100.0%	
Full-Time Equivalents (FTEs)	1,164	3,024	518	715			5,421

* The Inspection and Regulation Activity became part of the Canadian Food Inspection Agency on April 1, 1997 and is no longer part of the Department. The Canadian Pari-Mutuel Agency (CPMA) remained with the Department. The FTEs are those utilized by the CPMA.

** The Canadian Grain Commission operates as a revolving fund. These resources are those appropriated for the Order-in-Council appointees and for 50% of the cost of the Grain Research Laboratory.

FINANCIAL TABLE 5. RESOURCE REQUIREMENTS BY ORGANIZATION AND BUSINESS LINE (\$ MILLIONS)

Organization		Business Lines			Totals	
		Expanding Markets	Innovating for a Sustainable Future	Strong Foundation for the Sector and Rural Communities		Corporate Policies and Services
Research Branch	Planned spending		255.1		255.1	
	<i>Total authorities</i>		<i>283.3</i>		<i>283.3</i>	
	Actuals		286.2		286.2	
Policy Branch	Planned spending		4.1	747.2	751.3	
	<i>Total authorities</i>		<i>7.8</i>	<i>1,070.7</i>	<i>1,078.5</i>	
	Actuals		7.9	1,049.5	1,057.4	
Market and Industry Services Branch	Planned spending	124.3			124.3	
	<i>Total authorities</i>	<i>109.7</i>			<i>109.7</i>	
	Actuals	101.1			101.1	
Prairie Farm Rehabilitation Administration	Planned spending		61.9	2.6	64.5	
	<i>Total authorities</i>		<i>61.6</i>	<i>45.4</i>	<i>107.0</i>	
	Actuals		58.3	48.1	106.4	
Corporate Services Branch	Planned spending			55.2	55.2	
	<i>Total authorities</i>			<i>37.1</i>	<i>37.1</i>	
	Actuals			35.0	35.0	
Human Resources Branch	Planned spending			10.3	10.3	
	<i>Total authorities</i>			<i>10.4</i>	<i>10.4</i>	
	Actuals			11.8	11.8	
Communications Branch	Planned spending			5.3	5.3	
	<i>Total authorities</i>			<i>12.4</i>	<i>12.4</i>	
	Actuals			12.4	12.4	
Review Branch	Planned spending			2.5	2.5	
	<i>Total authorities</i>			<i>2.0</i>	<i>2.0</i>	
	Actuals			2.0	2.0	
Executive Offices	Planned spending			5.1	5.1	
	<i>Total authorities</i>			<i>5.2</i>	<i>5.2</i>	
	Actuals			4.9	4.9	
Canadian Grain Commission	Planned spending	5.5			5.5	
	<i>Total authorities</i>	<i>20.1</i>			<i>20.1</i>	
	Actuals	6.4			6.4	
National Farm Products Council	Planned spending	2.3			2.3	
	<i>Total authorities</i>	<i>2.6</i>			<i>2.6</i>	
	Actuals	2.4			2.4	
Canadian Pari-Mutuel Agency *	Planned spending			-	-	
	<i>Total authorities</i>			<i>4.0</i>	<i>4.0</i>	
	Actuals			0.4	0.4	
Totals	Planned spending	132.1	321.1	749.8	78.4	1,281.4
	<i>Total authorities</i>	<i>132.4</i>	<i>352.8</i>	<i>1,116.1</i>	<i>71.1</i>	<i>1,672.4</i>
	Actuals	109.9	352.4	1,097.6	66.5	1,626.4
	% of Total	6.7%	21.7%	67.5%	4.1%	100.0%

Note: Numbers in *italics* denote Total Authorities for 1997-98 (main and supplementary estimates and other authorities).

Bolded numbers denote actual expenditures in 1997-98.

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

* The Canadian Pari-Mutuel Agency operates under the fully funded Canadian Pari-Mutuel Agency Revolving Fund.

FINANCIAL TABLE 6. REVENUES CREDITED TO THE VOTE BY BUSINESS LINE (\$ MILLIONS)

Business Lines	Actual 1995-96	Actual 1996-97	Planned Revenues 1997-98	Actual 1997-98
Expanding Markets			51.2	56.9
Innovating for a Sustainable Future			10.4	12.7
Strong Foundation for the Sector and Rural Communities			4.0	8.5
Corporate Policies and Services			14.1	13.8
Total Revenues Credited to the Vote	75.1	86.6	79.7	91.9

FINANCIAL TABLE 7. REVENUES CREDITED TO THE CRF BY BUSINESS LINE (\$ MILLIONS)

Business Lines	Actual 1995-96 ⁽¹⁾	Actual 1996-97	Planned Revenues 1997-98	Actual 1997-98
Expanding Markets			5.5	29.9
Innovating for a Sustainable Future			9.3	14.7
Strong Foundation for the Sector and Rural Communities			4.0	7.3
Corporate Policies and Services			140.8	173.2
Total	601.4	335.4	159.6	225.1

1. The GRIP program concluded in 1995-96. As a result the federal portion of the GRIP surplus in Saskatchewan was returned to the Consolidated Revenue Fund. \$311 million was reported as a refund of previous years expenditures in 1995-96 of which \$171 million represented the federal share of Saskatchewan's GRIP surplus and \$140 million represented the refund of 1994 Federal contributions not remitted to the province. The federal portion of surplus funds which totalled \$63 million was refunded to the Consolidated Revenue Fund in 1996-97.

FINANCIAL TABLE 8. STATUTORY PAYMENTS BY BUSINESS LINE (\$ MILLIONS)

Statutory transfer payments are included in Financial Table 9.

FINANCIAL TABLE 9. TRANSFER PAYMENTS BY BUSINESS LINE (\$ MILLIONS)

Business Lines	Actual 1995-96	Actual 1996-97	Planned Spending 1997-98	Total Authorities 1997-98	Actual 1997-98
Grants					
Expanding Markets			0.2	0.6	0.0
Innovating for a Sustainable Future			1.0	4.2	4.2
Strong Foundation for the Sector and Rural Communities			30.1	57.8	57.8
Corporate Policies and Services			0.0	0.0	0.0
Total Grants			31.3	62.6	62.0
Contributions					
Expanding Markets			83.5	67.5	59.5
Innovating for a Sustainable Future			28.4	21.9	21.6
Strong Foundation for the Sector and Rural Communities			675.3	843.4	826.0
Corporate Policies and Services			0.0	0.4	0.4
Total Contributions			785.2	933.2	907.5
Total Transfer Payments	1,788.7	1,837.2	816.5	995.8	969.5

FINANCIAL TABLE 10. CAPITAL SPENDING BY BUSINESS LINE (\$ MILLIONS)

Business Lines	Actual 1995-96	Actual 1996-97	Planned Spending 1997-98	Total Authorities 1997-98	Actual 1997-98
Expanding Markets			-	-	-
Innovating for a Sustainable Future			36.9	34.1	34.1
Strong Foundation for the Sector and Rural Communities			-	-	-
Corporate Policies and Services			4.2	5.4	5.4
Total	21.7	36.5	41.1	39.5	39.5

FINANCIAL TABLE 11. CAPITAL PROJECTS BY BUSINESS LINE (\$ MILLIONS)

Business Lines	Current Estimated Total Cost	Actual 1995-96	Actual 1996-97	Planned Spending 1997-98	Total Authorities 1997-98	Actual 1997-98
Innovating for a Sustainable Future						
Facility Consolidation and Upgrade, Saskatoon Research Centre, Saskatoon, Saskatchewan	38.0	1.7	11.3	15.4	N/A	15.3
This project is designed to meet a number of objectives, including the consolidation of programs (such as oilseeds technology and crop utilization research) and the associated staff from both Regina and Saskatoon, and the accommodation of the Plant Gene Resource of Canada storage facility from Ottawa. The project components include renovation of an existing office/laboratory building, the replacement of greenhouses and the construction of a new administration wing.						
Facility Upgrade, Southern Crop Protection and Food Research Centre, London and Delhi, Ontario	12.0	1.0	0.2	1.4	N/A	1.4
A new laboratory wing will be constructed at the Pest Management Research Centre (PMRC) in London and a new laboratory and administration building at the associated Delhi Research Farm. PMRC is a focus for research on the development of environmentally acceptable technologies to combat disease and insect pests, the development of alternative crops and crop management practices and the impact of agricultural practices on soil and water quality.						
Construction of a new facility for the Food Processing Safety and Quality Improvement Program, Guelph, Ontario	10.0	-	-	0.5	N/A	0.5
The Department is establishing a major food safety and quality research centre at Guelph. This will consolidate departmental activities in this area of research in close proximity to a large portion of the Canadian food processing sector and facilitate collaboration with the Province of Ontario, the University of Guelph, Health Canada and the industry.						
Construction/Expansion of a new Swine Research Facility, Lennoxville, Quebec	6.3	0.3	0.5	4.4	N/A	0.4
The swine research facilities at Lennoxville are being renovated, expanded and modernized to better support the development of the pork industry. The location of the facility at Lennoxville places it near a large portion of the Canadian industry. A major focus of the research is improving the competitiveness of Canadian pork in export markets.						

FINANCIAL TABLE 12. STATUS OF MAJOR CROWN PROJECTS

Not Applicable

FINANCIAL TABLE 13. LOANS INVESTMENTS AND ADVANCES

Not Applicable

FINANCIAL TABLE 14A. CANADIAN PARI-MUTUEL AGENCY REVOLVING FUND (\$ MILLIONS)

	Actual 1995-96	Actual 1996-97	Planned Spending 1997-98	Total Authorities 1997-98	Actual 1997-98
Revenues	14.7	13.8	14.1	13.2	13.5
Expenditures	13.7	14.4	14.0	13.2	13.9
Profit or (Loss)	1.0	(0.6)	0.1	0.0	(0.5)
Add items not requiring use of funds:					
Depreciation/amortization	0.1	0.2		0.2	0.1
Changes in working capital	0.3	0.1	0.0	0.0	0.1
Investing activities:					
Acquisition of depreciable assets	(0.3)	(0.1)	0.1	(0.2)	(0.2)
Cash surplus (requirement)	1.2	0.4	0.0	0.0	0.4
Authority balance	3.3	2.9	3.3	4.1	2.4

Note: A "line of credit" of \$2 million was approved as the maximum amount that may be drawn down from the CRF at any point in time.

FINANCIAL TABLE 14B. CANADIAN GRAIN COMMISSION REVOLVING FUND (\$ MILLIONS)

	Actual 1995-96	Actual 1996-97	Planned Spending 1997-98	Total Authorities 1997-98	Actual* 1997-98
Revenues	51.7	49.3	51.2	57.1	57.3
Expenditures	49.1	50.9	51.6	54.5	55.8
Profit or (Loss)	2.6	(1.6)	(0.4)	2.6	1.5
Add items not requiring use of funds:					
Depreciation/amortization	(1.2)	1.4		1.7	1.7
Changes in working capital	(0.3)	2.1	2.5	(0.5)	0.8
Investing activities:					
Acquisition of depreciable assets			(1.1)	(1.8)	(1.9)
Cash surplus (requirement)	1.1	1.9	1.0	2.0	2.1
Authority balance	13.1	15.0	14.9	15.3	17.1

Notes: A "line of credit" of \$12 million was approved as the maximum amount that may be drawn down from the CRF at any point in time.

The authority balance includes the \$12 million drawdown.

* Figures for 1997-98 are unaudited.

FINANCIAL TABLE 15. CONTINGENT LIABILITIES (\$ MILLIONS)

Contingent Liabilities	March 31, 1996	March 31, 1997	March 31, 1998
Damages and Compensation			
Cervinus Inc.	2.9	2.9	2.9
Coldstream	8.1	8.1	8.1
Maple Lodge Farms Ltd.	0.5	0.5	0.5
Merlino Inc.	0.8	0.8	0.8
Ontario Tree Fruits	3.0	3.0	3.0
Wadacerf International Inc.	2.4	2.4	2.4
Maclean et al.	5.4	5.4	5.4
Cliff Begg et al.	8.3	8.3	8.3
Mori Nurseries Ltd.	1.0	1.0	1.0
Louis Levesque et al.	100.0	100.0	100.0
Various individuals near Shellmouth Dam	0.3	0.3	4.0
Société Canadienne d'Exportation de Bisons Inc.	2.0	2.0	2.0
N. Andrews & L. Bates		15.0	15.0
Bank of Montreal under the <i>Agricultural Products Cooperative Marketing Act</i>		8.0	8.0
Bank of Montreal under the <i>Agricultural Products Cooperative Marketing Act</i>		0.4	0.4
Bank of Montreal and Coopers and Lybrand Ltd. under the <i>Farm Improvement and Marketing Cooperative Loans Act</i>		0.3	0.3
Larter Feeders Ltd. under the <i>Farm Income Protection Act</i>		0.3	-
McKenna Bros. (1989) Ltd.			1.6
Mark J. Oppenheim and Certan Marine			2.0
Boutin et al.			1.1
Shambel et al.			0.2
Barich Farms (1994)			1.0
Ferme Avicole Héva Inc.			0.5
Ferme Avicole Paul Richard et fils			0.7
Ferme Avicole Kiamika Inc.			0.3
Coleen Brown			0.5
Mountain View Packers Ltd.			0.2
Commercial Bakeries Corp.			6.0
Leo Abel et al.			1.0
Melvin Elgersma, Carol Elgersma			2.0
Semen World Ltd.			0.5
Other	1.0	1.0	1.0
Guarantees			
Loans to farmers under the <i>Farm Improvement Loans Act</i> and <i>Farm Improvement and Marketing Cooperatives Loans Act</i>	650.1	820.2	484.7
Producer Organizations pursuant to the <i>Advance Payments for Crops Act</i>	112.6	168.5	165.4
Producer of Organizations pursuant to the <i>Agricultural Products Cooperative Marketing Act</i>	6.2	25.6	32.4
Canadian Wheat Board, Elevator Companies and Western Grain Producers	233.4	504.6	263.6
Canadian Wheat Board, Credit Grain Sales subject to Federal Government Guarantee	N/A	N/A	N/A
Total	1,137.0	1,677.5	1,125.8

V. CONSOLIDATED REPORTING

SUSTAINABLE DEVELOPMENT STRATEGY: HIGHLIGHTS OF AAFC'S 1ST YEAR OF IMPLEMENTATION

The importance of sustainable development to the agriculture and agri-food industries is demonstrated by AAFC being one of the first departments to table its Sustainable Development Strategy (SDS). The early stages of implementing the strategy have helped to broaden AAFC's perspective to better include social and economic issues in its policies and programs. AAFC's SDS is fully integrated into the Department's business planning cycle and is reflected throughout the body of the Departmental Performance Report (DPR).

AAFC's strategy commits the Department to work towards four strategic objectives and nine related priorities through the delivery of 48 distinct actions. Four action items will not be reported on by AAFC as these responsibilities now lay with the Canadian Food Inspection Agency. Many of the distinct actions consist of specific products or services while others are on-going throughout the three year implementation period of the Strategy. The action items committed to by the Department will help to conserve the resource base on which food production depends, to protect the environmental integrity of the agricultural landscape for present and future generations, and to maintain the highest environmental standards in the operation of our own Department.

Already, progress has been achieved on 89% (39 of the 44) of the distinct actions with five (11%) of the commitments being completed. Only five (11%) of the deliverables remain in the planning stage and will be underway in the next fiscal year. Table 1 highlights the department's accomplishments for its first year of implementing the Sustainable Development Strategy. In addition to progress on the SDS being reported within the DPR, AAFC has begun to develop a regular monitoring and reporting mechanism for SDS implementation. Annual progress reports on SDS implementation will appear on the Department's Web site.

Strategic Objectives	Progress	1997-98 Accomplishments
1. Increasing Understanding	<p>2 action items completed</p> <p>6 action items on-going</p> <p>1 action item in the planning stage</p>	<ul style="list-style-type: none"> ▶ Developed and released 8 reports on agri-environmental indicators. ▶ Contributed funding towards an industry workshop on ISO 14000. ▶ Developed and applied methodologies to assess soil erosion and greenhouse gas emissions. ▶ Completed and registered 309 environmental assessments under CEAA.
2. Promoting Environmental and Resource Stewardship	<p>1 action item completed</p> <p>12 action items on-going</p> <p>3 action items in the planning stage</p>	<ul style="list-style-type: none"> ▶ Developed a key to identify livestock insect pests. ▶ Published a departmental Environment Management Policy. ▶ Initiated National Soil and Water Conservation Program. ▶ Encouraged strategic support of environmental initiatives by developing performance-based management framework. ▶ Memorandum of Understanding between Saskatchewan and PFRA community pasture lands signed to promote long-term conservation of marginal lands and critical wildlife areas. ▶ Worked with provinces and rural clients to reduce land degradation in the Prairies by distributing 6 million shelterbelt seedlings annually. ▶ Developed an environmental management strategy that focuses on research and development, technology transfer, information and support tools for the hog industry; the results of this EMS can be applied to the livestock industry broadly.
3. Developing Innovations and Solutions	<p>8 action items on-going</p> <p>1 action item in the planning stage</p>	<ul style="list-style-type: none"> ▶ Modelling software developed and available that describe how to optimize farm management practices. ▶ Registered 21 new cultivars in 13 crop kinds that provided environmental benefits, increased yield and increased nutrient utilization. ▶ Developed biological agents for the control of insects, weeds and disease, e.g., predatory insects and organic amendments. ▶ Developed and applied tools, e.g., GIS, for continued analysis of resource capability and information dissemination.
4. Seizing Market Opportunities	<p>9 action items on-going</p> <p>2 action items completed</p>	<ul style="list-style-type: none"> ▶ Provided CARD funding to help establish the Canadian Agricultural New Uses Council (CANUC). ▶ Provided information for OECD research on linkages between agriculture trade, policy and the environment. ▶ Facilitated the export of agri-food products with environmental attributes, e.g., organic products. ▶ Initiated field crop intensification research for crops in irrigated production.

STATUTORY ANNUAL REPORTS

FARM INCOME PROTECTION ACT ANNUAL REPORT

Crop Insurance Program

Crop Insurance is a cost-shared program that stabilizes farmers' income by minimizing the economic effects of crop losses caused by natural hazards like drought, frost, hail, flood, wind, fire, excessive rain, heat, snow, unpreventable disease, insect infestation and wildlife. While insurance is a provincial jurisdiction and provinces are responsible for the development and delivery of the program, the federal government contributes a major portion of the funding in order to provide production risk protection to producers at an affordable cost. Federal contributions totalling \$206 million in fiscal year 1997-98 were paid to provincial crop insurance programs. These contributions are provided for under the authority of the Farm Income Protection Act (FIPA).

This voluntary program is available to farmers in all provinces for virtually all commercially grown crops. The specific crops insured and program features vary by province in accordance with the agronomic acceptability and importance in that province. However all farmers are guaranteed a level of production for each crop insured based on previous production history. If production falls below that guaranteed level as a result of an insured peril, the farmer is eligible for an indemnity payment.

In 1997-98, the provinces of British Columbia, Alberta and Saskatchewan introduced a number changes to their crop insurance programs which greatly reduced the costs of disaster level crop insurance coverage (50% to 60%) for insured producers. Manitoba had introduced a similar program in 1996-97. As a result of these and other program changes in other provinces, about 50% of all producers and 50% of all crop and forage acres grown in Canada during 1997-98 were insured. The growing conditions during 1997-98 were generally favourable, however individual farmers in all provinces experienced severe crop losses. The crop insurance experience for 1997-98 by province is indicated in the table below.

TOTAL FEDERAL CONTRIBUTIONS TO THE CROP INSURANCE PROGRAM FOR THE 1997-98 FISCAL YEAR (\$000s)			
	Federal Contribution to Crop Insurance Premiums	Federal Contribution to Provincial Administrative Costs	Total Federal Contributions
Newfoundland	28	121	149
Prince Edward Island	543	202	745
Nova Scotia	145	310	455
New Brunswick	1,040	673	1,712
Quebec ¹	10,098	6,219	16,317
Ontario	19,882	6,379	26,262
Manitoba ¹	39,790	5,430	45,220
Saskatchewan ¹	53,943	8,469	62,412
Alberta ¹	39,249	8,865	48,115
British Columbia	3,082	1,605	4,686
Total	167,800	38,273	206,073

1. Crop Insurance premiums and administrative costs include Waterfowl Crop Damage Compensation.

CROP INSURANCE PROGRAM EXPERIENCE BY CROP YEAR

	No. of Producers	Insured Acreage	Coverage (\$000s)	Total Premiums (\$000s)	Total Indemnities (\$000s)	Annual Loss Ratio	Cumulative Indemnity to Cumulative Revenue Ratio
Newfoundland							
1994-95	36	432	416	57	29	0.50	1.33
1995-96	35	346	302	38	33	0.89	1.29
1996-97	34	328	302	38	42	1.09	1.28
1997-98	30	298	526	69	96	1.38	1.29
Prince Edward Island							
1994-95	562	109,508	31,625	3,143	2,099	0.67	0.92
1995-96	547	108,646	32,946	2,808	1,598	0.57	0.90
1996-97	146	25,518	21,016	2,039	1,948	0.96	0.90
1997-98	151	26,806	23,970	2,172	823	0.38	0.88
Nova Scotia							
1994-95	562	28,569	11,176	579	538	0.93	0.74
1995-96	540	29,346	11,319	546	327	0.60	0.72
1996-97	520	25,391	11,185	580	464	0.80	0.71
1997-98	513	25,356	11,810	585	766	1.31	0.74
New Brunswick							
1994-95	400	66,345	35,950	6,438	6,962	1.08	1.36
1995-96	450	71,104	38,035	7,231	7,109	0.98	1.30
1996-97	246	34,059	26,618	4,225	3,398	0.80	1.26
1997-98	205	31,726	23,824	3,591	1,269	0.35	1.20
Quebec							
1994-95	12,509	2,045,024	452,228	37,539	42,207	1.12	0.97
1995-96	11,706	1,907,998	439,523	35,342	19,876	0.56	0.94
1996-97	11,930	1,993,924	508,601	37,523	26,772	0.71	0.92
1997-98	12,024	2,047,468	523,405	37,632	42,364	1.13	0.93
Ontario							
1994-95	19,958	3,327,389	869,876	72,831	26,896	0.37	0.86
1995-96	18,292	3,108,814	930,909	70,712	19,141	0.27	0.80
1996-97	18,300	3,177,481	1,155,920	64,095	78,155	1.22	0.82
1997-98	17,411	3,296,277	1,085,410	72,814	40,421	0.56	0.81
Manitoba							
1994-95	15,333	6,110,944	519,017	55,752	39,206	0.70	1.06
1995-96	13,633	5,644,011	488,329	53,916	22,309	0.41	1.01
1996-97	14,609	8,070,185	755,346	82,465	11,265	0.14	0.94
1997-98	14,576	8,283,701	900,626	97,419	31,844	0.33	0.88
Saskatchewan							
1994-95	43,096	18,399,765	1,257,581	177,675	121,902	0.69	1.15
1995-96	41,490	19,331,609	1,361,921	185,756	157,186	0.85	1.13
1996-97	38,100	18,936,911	1,627,810	212,371	64,603	0.30	1.08
1997-98	36,031	20,332,665	1,582,557	185,581	85,918	0.46	1.04
Alberta							
1994-95	23,882	10,497,521	644,454	89,013	23,563	0.26	0.96
1995-96	23,000	9,394,919	691,696	114,912	56,154	0.49	0.93
1996-97	16,221	8,444,424	802,781	122,315	55,647	0.45	0.89
1997-98	16,803	9,502,031	914,647	142,744	70,912	0.50	0.87
British Columbia							
1994-95	2,000	116,593	66,045	9,258	5,388	0.58	1.05
1995-96	2,000	104,461	75,585	7,813	1,973	0.25	1.01
1996-97	1,400	94,270	82,916	7,702	5,200	0.68	1.01
1997-98	1,673	249,573	146,146	7,797	17,249	2.21	1.07
Canada							
1994-95	118,338	40,702,090	3,888,367	452,284	268,788	0.59	1.03
1995-96	111,693	39,701,253	4,070,566	479,074	285,705	0.60	1.01
1996-97	101,506	40,802,491	4,992,495	533,354	247,494	0.46	0.97
1997-98	99,417	43,795,900	5,212,921	550,403	291,662	0.53	0.94

Source: Crop Insurance Participation Summary - Canada (IDIS CI-3) dated August 6, 1998.

Note: Figures are subject to final review of audited provincial financial statements.

Federal Crop Reinsurance Program

The reinsurance arrangements available under the *Farm Income Protection Act* (FIPA) offer provincial governments a means of sharing with the federal government the large losses that occur under a Crop Insurance Program. The federal reinsurance provisions were first made available to provinces in 1965.

How It Works

- ▶ A portion of a province's annual crop insurance premiums are paid to the federal reinsurance account. Premiums paid into the reinsurance account vary according to the risk of a payout for each province.
- ▶ A payment from the federal reinsurance account to a province is triggered whenever crop insurance indemnity payments to producers exceeds the province's accumulated premium reserves and a deductible of 2.5% of the province's crop insurance liabilities (coverage).
- ▶ Any remaining indemnities are then shared with provinces on a 75%/25% basis, with the federal reinsurance account being responsible for the larger share.
- ▶ If there are insufficient funds in the federal reinsurance account to meet the required reinsurance payments, the Minister of Finance is responsible for advancing the necessary funds to the reinsurance account. Outstanding advances from the federal treasury are repaid from future reinsurance premiums.

For 1997-98, four provinces (Alberta, Saskatchewan, Manitoba and New Brunswick) had reinsurance agreements with the federal government. The table below illustrates that a total of \$58.6 million in reinsurance premiums were collected and no reinsurance payments were issued as a result of generally favourable crop conditions in 1997-98. In addition to annual premiums, the provinces of Saskatchewan and New Brunswick utilized \$164 million in federal Safety Net funding available to these provinces to pay down the existing deficits in the federal reinsurance account. The closing balance in the reinsurance account at the end of 1997-98 was about \$1.0 million surplus.

CROP REINSURANCE FUND BY FISCAL YEAR (\$000s)				
	Actual 1994-1995	Actual 1995-1996	Actual 1996-1997	Actual 1997-1998
Nova Scotia¹				
Opening Balance	691	710	730	752
Revenue	19	20	22	-
Expenditures	-	-	-	-
Closing Balance	710	730	752	752
New Brunswick				
Opening Balance	(8,702)	(7,815)	(7,869)	(7,239)
Revenue	1,004	1,150	630	838
Expenditures ⁴	(117)	(1,204)	-	2,005
Closing Balance	(7,815)	(7,869)	(7,239)	(4,396)
Ontario²				
Opening Balance	9	9	9	9
Closing Balance	9	9	9	9
Manitoba				
Opening Balance	(40,686)	(36,729)	(28,560)	(15,208)
Revenue	7,428	8,169	13,352	7,809
Expenditures	(3,471)	-	-	-
Closing Balance	(36,729)	(28,560)	(15,208)	(7,399)
Saskatchewan				
Opening Balance	(370,802)	(324,542)	(290,876)	(258,032)
Revenue	43,216	31,196	30,725	31,539
Expenditures ⁴	3,044	2,470	2,119	162,000
Closing Balance	(324,542)	(290,876)	(258,032)	(64,493)
Alberta				
Opening Balance	12,425	25,412	41,587	58,060
Revenue	13,000	16,175	16,473	18,439
Expenditures	(13)	-	-	-
Closing Balance	25,412	41,587	58,060	76,499
Canada				
Opening Balance	(407,065)	(342,955)	(284,979)	(221,658)
Revenue	64,667	56,710	61,202	58,625
Expenditures	(557)	1,266	2,119	164,005
Closing Balance	(342,955)	(284,979)	(221,658)	972

1. Nova Scotia suspended participation in the program at the end of the 1996-97 fiscal year because of the large surplus in their provincial Crop Insurance Fund.
2. Ontario left the program during the 1968-69 fiscal year.
3. The premiums up to 1993-94 were reported on a crop year basis. This account is a cash account and therefore changes were required to previous years to bring the report into a fiscal year reporting basis.
4. Both New Brunswick and Saskatchewan utilized available federal Safety Net funds for their province to reduce reinsurance deficits in 1997-98.

Net Income Stabilization Account (NISA)

This account was established by section 15 of the *Farm Income Protection Act* and the Federal/Provincial Agreement establishing the NISA Program, to help participating producers of qualifying agricultural commodities achieve long term improved income stability. The Program allows participants to deposit funds up to predetermined limits into an account held at a participating financial institution, and receive matching contributions from the federal and provincial governments. These funds are held on behalf of the participants.

The account records transactions relating to the Consolidated Revenue Fund or participating financial institutions as follows:

- (a) participant matchable deposits held in participating financial institutions. For the fiscal year ending March 31, 1998, participant deposits pertained, in most part, to the 1996 stabilization year (the period for which a participant filed a 1996 tax return). Participants are entitled to make matchable deposits based on eligible net sales (ENS) which are limited to \$250,000 per individual. For the 1996 stabilization year, the Agreement allowed for matchable deposits of up to three percent of the ENS for most qualifying commodities. Additional participant deposits were allowed by separate agreement between Canada and a province;
- (b) government matching contributions on participant matchable deposits. For the 1996 stabilization year, with the exception of Alberta, the federal and provincial governments provided matching contributions equal to two thirds and one third, respectively, of participant matchable deposits. The federal government contributed the full three percent for Alberta;
- (c) participant non-matchable deposits held in participating financial institutions, which are limited to an annual maximum of 20 percent of ENS (carried forward for up to five years);
- (d) interest paid by the federal Government on funds held in the Consolidated Revenue Fund, at rates and in accordance with terms and conditions determined by the Minister of Finance;
- (e) interest paid by participating financial institutions on funds held for participants, at rates set by negotiation between the participant and the financial institution;
- (f) bonus interest of three percent per annum, split between the federal and provincial governments (with the exception of Alberta where the federal government pays the full three percent), calculated on participant deposits; less,
- (g) withdrawals by participants from funds held in the Consolidated Revenue Fund or participating financial institutions (participants are entitled to make annual account withdrawals up to the amount allowed by the larger of two triggers; a stabilization trigger and a minimum income trigger).

The following tables illustrate producer deposits and withdrawals, government contributions and interest paid into the Account for the 1994, 1995 and 1996 stabilization years. Refer to the definitions of financial statement accounts above (a to g).

NET INCOME STABILIZATION ACCOUNT - STATEMENT OF NET ASSETS OF PROGRAM PARTICIPANTS (DOLLARS)			
	March 31, 1996	March 31, 1997¹	March 31, 1998 (Unaudited)
Assets			
Cash			
Cash in Participant Accounts (a)+(c) - (g)			
Fund 1			
Consolidated Revenue Fund	289,534,328	210,755,946	3,136,229
Financial Institutions	327,835,013	751,499,288	1,210,893,233
	617,369,341	962,255,234	1,214,029,462
Fund 2 (b),(d),(e),(f) - (g)	534,087,976	973,667,362	1,242,519,225
	1,151,457,317	1,935,922,596	2,456,548,687
Accounts Receivable			
Participants	18,069,703	3,071,483	-
Financial Institutions - interest on participant accounts	5,265,700	4,127,303	8,975,360
Government contributions and bonus interest			
Federal	53,830,963	31,116,467	7,723,993
Provincial	28,813,884	5,144,570	4,412,974
	105,980,250	43,459,823	21,112,327
Total Assets	1,257,437,567	1,979,382,419	2,477,661,014
Liabilities			
Participant withdrawals payable	37,795,867	29,108,690	21,160,909
Nets Assets of Program Participants	1,219,641,700	1,950,273,729	2,456,500,105

1. The March 31, 1997 comparative figures have been updated to reflect adjustments resulting from the audit of NISA by The Office of the Auditor General. In addition, comparative figures have been reclassified to conform with presentation adopted for the year ended March 31, 1998 (1996 stabilization year).

**NET INCOME STABILIZATION ACCOUNT (NISA) — STATEMENT OF CHANGES IN NET ASSETS OF PROGRAM PARTICIPANTS
(DOLLARS)**

	Stabilization Year(s) (note 2)		
	1994	1995 ¹	1996 (Unaudited)
Participant deposits			
Matchable (a)	257,466,672	364,358,700	316,990,581
Non-matchable (c)	37,484,282	39,570,049	23,890,536
Administrative cost share	393,633	638,348	61,378
	<u>295,344,587</u>	<u>404,567,097</u>	<u>340,942,495</u>
Government matching contributions (b)			
Basic:			
Federal	119,164,550	176,487,064	204,492,879
Provincial	79,407,563	88,396,726	74,662,864
Enhanced:			
Federal	34,107,054	56,134,480	18,172,546
Provincial	24,787,505	43,340,430	18,380,729
	<u>257,466,672</u>	<u>364,358,700</u>	<u>315,709,018</u>
Other government contributions (b)			
Federal	44,736,828	78,219,108	40,038
Provincial	-	1,468,691	40,038
	<u>44,736,828</u>	<u>79,687,799</u>	<u>80,076</u>
Interest			
Regular Interest			
Consolidated revenue fund (d)	40,064,715	36,913,186	35,670,045
Financial institutions (e)	12,226,679	19,824,435	38,905,311
Bonus interest (f)			
Federal	6,609,573	11,427,816	18,245,125
Provincial	6,609,573	10,005,182	12,129,092
	<u>65,510,540</u>	<u>78,170,619</u>	<u>104,949,573</u>
Increase in Net Assets	663,058,627	926,784,215	761,681,162
Participant withdrawals (g)			
Fund 1	50,572,844	70,056,922	89,852,540
Fund 2	85,939,614	118,451,424	157,727,150
	<u>136,512,458</u>	<u>188,508,346</u>	<u>247,579,690</u>
Administrative cost share (g)	5,425,016	7,643,840	7,875,096
Decrease in Net Assets	141,937,474	196,152,186	255,454,786
Change in Net Assets for the Stabilization Year	521,121,153	730,632,029	506,226,376
Net Assets - Beginning of Stabilization Year	698,520,547	1,219,641,700	1,950,273,729
Net Assets - End of Stabilization Year	1,219,641,700	1,950,273,729	2,456,500,105

1. The 1995 comparative figures have been updated to reflect adjustments resulting from the audit of NISA by The Office of the Auditor General. In addition, comparative figures have been reclassified to conform with presentation adopted for the year ended March 31, 1998 (1996 stabilization year).

2. The period for which the participant files an income tax return.

Province Specific Companion Programs

Companion programs have come about because the federal and provincial governments have agreed on the need to facilitate the transition from farmers' reliance on governments to offset their risks, to a situation where they are increasingly responsible for their own economic well-being. The Province Specific Companion Programs fall into four broad categories.

- 1. Industry Research and Development Programs** - represent programs directed to enhancing the long-term competitiveness and stability of the sector, through research, development, training, promotion, etc.

Province	Program Name	1996-97	1997-98
		Federal Funding (000s)	Federal Funding (000s)
British Columbia	Investment Agriculture (Development) Funds	7,266	7,267
	Sterile Insect Release	-	2,000
Alberta	Development Funds	2,056	1,403
Saskatchewan	Agri-food Innovation	8,722	11,170
Manitoba	Research and Development	-	1,000
Ontario	Development Programs	4,000	3,000
	* Seed Deduction Pilot	2,088	2,200
New Brunswick	Biotechnology Centre	1,500	-
Nova Scotia	Apple Industry Development Fund	-	7,415
	Technology 2000	-	-
	Research and Development for Grain and Forage	397	663
Newfoundland	Agri-food Innovation	409	1,256

- 2. Whole-farm (Disaster) Programs** - are non-NISA disaster programs based on gross margins for individual farm units.

Province	Program Name	1996-1997	1997-1998
		Federal Funding (000s)	Federal Funding (000s)
Alberta	Farm Income Disaster Program	10,928	37,100
Prince Edward Island	Agricultural Disaster Insurance Program	227	682

- 3. Programs for Transition to Whole-farm** - these programs are designed to assist the sector in making a smooth transition to the whole-farm safety net system.

Province	Program Name	1996-97	1997-98
		Federal Funding (000s)	Federal Funding (000s)
Saskatchewan	Crop Sector Program	54,500	-
Ontario	Market Revenue Program	27,051	10,000
	*Self-Directed Risk Management	1,100	1,021
Quebec	Horti-plus	693	57
	Canada-Quebec National Transition Scheme for Apples	1,099	-
Nova Scotia	*Mixed Farm Pilot Project	137	121
Newfoundland	National Transition Scheme for Apples	265	-
	*Mixed Farm Pilot Project	7	7

4. Other

Province	Program Name	1996-1997	1997-98
		Federal Funding (000s)	Federal Funding (000s)
Alberta	Arable Acres Supplementary Payment Companion Program	49,842	-
	Forage Write-Down	-	13,000
Saskatchewan	Big Game Damage Compensation	-	2,193
Manitoba	Enhanced Crop Insurance	10,207	-
	Wildlife Crop Damage	-	1,401
Quebec	Additional Federal Contribution to ASRA	-	62,946
	Federal Contribution to the Farm Income Stabilization Insurance (ASRA)	-	42,878
New Brunswick	Federal Portion of the New Brunswick GRIP Deficit Payment	902	-
	New Brunswick Debt Refinancing Program	181	129

* These programs are also included in NISA tables under Government Matching Contributions (Federal) - Enhanced

Note: Gross Revenue Insurance Plan (GRIP) The Grip Program terminated in 1995-96. In 1997-98 wind-down costs totalled \$187,000 compared to \$584,000 the previous year.

National Tripartite Stabilization Plan (NTSP)

The NTSP is a market risk protection program originally established under the *Agricultural Stabilization Act* (which was repealed in April 1991). It now operates as a "revenue insurance program" under the authority of the FIPA. The objective of this program is to reduce losses to producers due to adverse changes in market prices or costs. Between 1986 and 1989, the federal and provincial governments signed eight agreements establishing twelve commodity plans including: Beef (Slaughter Cattle, Feeder Cattle, Cow-Calf), Hogs, Lambs, Beans (White Pea Beans, Kidney/Cranberry, Other Coloured), Apples, Sugar Beets, Onions and Honey. Producers voluntarily enrolled into the plans.

The NTSP for sugar beets in Manitoba is the last active NTSP commodity plan and was terminated at the end of the 1996-97 crop year. Final program calculations will be completed in 1998-99 following the completion of all sugar sales from the 1996-97 crop. The program is expected to end in a surplus. This was the last crop of sugar beets produced in Manitoba following the closure of the sugar refinery in Winnipeg.

In general, if a Plan terminates in a surplus position, the surplus is shared proportionately between the producers, participating provinces and the federal government. If a Plan terminates in a deficit position, the deficit is generally shared equally between the participating province and the federal government. In 1997-98 the ending NTSP apple surplus in the provinces of Quebec and Nova Scotia were distributed to each party with the producer share (1/3) sent directly to producers in good standing at program termination.

NATIONAL TRIPARTITE STABILIZATION PLAN ACCOUNT BALANCES (ACTIVE ACCOUNTS ONLY) FOR THE FISCAL YEAR ENDING MARCH 31, 1998 (\$000s)	
	Sugar Beets II
Opening Operating Balance	18,834
Add:	
Producer Premiums	-
Provincial Contributions	-
Federal Contributions	-
Interest Earned	292
Stabilization Overpayment Recovery	-
Total Revenue	19,126
Less:	
Partial Surplus Distribution	11,717
Interest Paid	-
Total Expenditure	11,717
Closing Operating Balance	7,409

FARM DEBT REVIEW ACT ANNUAL REPORT

Farm Debt Review Boards were established in 1986 in each province to ensure that farmers in financial difficulty, or actually facing a farm foreclosure, are afforded an impartial third-party review of individual farm circumstances. As part of the process, the Boards mediate between the farmer and his/her creditor(s) and seek to reach a mutually satisfactory arrangement.

The application rate in 1997 decreased from 1996 but it is still well within the more normal levels of the last few years. The number of applications received in 1997 compared to 1996 decreased by 14.2% (i.e., to 998 from 1,142 applications). Of the 27,572 applications which have come to the Boards since program inception in August 1986, 23,231 have been completed, 4,063 were withdrawn or rejected, and 277 carryover cases are currently being processed. Within the completed cases 75.5% (17,549) have had mutually satisfactory arrangements identified among the parties and of these, 88% (15,528) have been signed. Of the remaining 5,682 completed cases where no arrangements were identified, farmers still received a detailed financial review and mediation service and are in a better position to manage their overall situation as a result of the process. The table below provides a summary of activity under the Farm Debt Review Board Process.

SUMMARY OF ACTIVITY UNDER THE FARM DEBT REVIEW BOARDS PROCESS												
Applications by Calendar Year		Nfld.	P.E.I.	N.S.	N.B.	Que.	Ont.	Man.	Sask.	Alta.	B.C.	Canada Total
Actual 1997	New Applications	2	31	16	21	124	145	80	384	172	23	998
	Applications Withdrawn/ Rejected	0	1	0	1	11	67	1	4	39	4	128
	No Arrangement Identified	0	8	4	8	37	39	8	42	51	1	198
	Arrangements Identified	5	24	10	10	68	51	47	279	90	8	592
	Arrangements Signed	4	5	3	10	69	31	54	321	163	6	666
Actual 1996	New Applications	8	31	13	8	124	262	71	415	202	8	1142
	Applications Withdrawn/ Rejected	1	0	1	2	4	170	0	27	31	0	236
	No Arrangement Identified	2	14	4	3	23	39	31	38	33	4	191
	Arrangements Identified	4	15	10	6	90	46	41	334	126	5	677
	Arrangements Signed	3	3	11	4	35	29	34	316	84	4	523
Actual 1995	New Applications	14	11	28	16	111	281	51	455	131	2	1,100
	Applications Withdrawn/ Rejected	4	-	-	3	7	165	-	37	26	1	243
	No Arrangement Identified	2	4	5	1	11	78	37	57	26	-	221
	Arrangements Identified	9	11	25	9	108	61	17	399	84	-	723
	Arrangements Signed	6	1	17	8	46	29	11	387	89	-	594
Actual 1994	New Applications	18	27	24	13	143	291	71	566	140	15	1,308
	Applications Withdrawn/ Rejected	7	3	5	2	8	152	3	49	18	8	255
	No Arrangement Identified	3	7	4	2	17	68	46	136	32	4	319
	Arrangements Identified	6	20	15	12	120	63	32	509	94	6	877
	Arrangements Signed	8	2	13	9	31	76	30	546	92	5	812

Note: Applications received in any year might not be completed nor arrangements signed until the following year.

On April 1, 1998, the *Farm Debt Mediation Act* came into force. It automatically repealed the *Farm Debt Review Act*.

FARM IMPROVEMENT AND MARKETING COOPERATIVES LOANS ACT (FIMCLA) ANNUAL REPORT

The *Farm Improvement and Marketing Cooperatives Loans Act (FIMCLA)* helps producers and producer-owned cooperatives gain access to intermediate term credit on reasonable terms to improve farm assets, strengthen production and improve financial stability. Under FIMCLA, the Minister of Agriculture and Agri-Food provides a loan guarantee to designated lending institutions. These loans are based on up to 80% of the current appraised value or the purchase price, whichever is smaller. Farmers and farmer-owned cooperatives apply directly through a lending institution.

The table below provides statistics on the operation of this program since 1993-94. FIMCLA provided over \$2.35 billion in loan guarantees to the farming sector over the last five years. Revenues have exceeded payments by about \$9.65 million over the past 5 years. The FIMCLA program has presented a low level of risk to Canadian taxpayers, with net losses of about 0.6%.

In 1997-98, 15,946 loans were issued by Canadian financial institutions for a total of about \$517 million. The number of new loans registered increased in 1997-98 by about 6% from the previous year.

GENERAL STATISTICS REGARDING THE <i>FARM IMPROVEMENT AND MARKETING COOPERATIVES LOANS ACT</i>					
	1993-94	1994-95	1995-96	1996-97	1997-98
Number of new loans registered	15,902	19,702	14,086	16,250	15,946
Value of new loans registered (\$000s)	423,267	551,500	371,922	488,759	516,885
Claims paid (\$000s)	975	822	1,537	1,664	691
Loan registration fees (\$000s)	2,119	2,758	1,860	2,443	2,599
Recoveries of claims paid out (\$000s)	1,715	1,555	1,149	1,199	791
Administration Costs (\$000s)	567	567	567	567	567
Net Costs (\$000s)	2,292	2,924	582	632	2,132

Note: Claims paid out in a fiscal year are not necessarily related to loans issued in the same year.

AGRICULTURAL MARKETING PROGRAMS ACT (AMPA) 1997-98 CROP YEAR ANNUAL REPORT

The *Agricultural Marketing Programs Act* received Royal Assent on April 25, 1997. The Act has three parts that amalgamate four pieces of legislation, the *Advance Payments for Crops Act* (APCA), the *Prairie Grain Advance Payments Act* (PGAPA), the *Agricultural Products Cooperative Marketing Act* (APCMA) and the *Agricultural Products Board Act*. The Act also includes the interest free provisions on cash advances formerly provided under the Cash Flow Enhancement Program. The 1997 crop year was the first year of operation for the programs under the new Act.

Advance Payments Program

Under the Advance Payments Program (APP), the Government guarantees the repayment of the advances producer organizations issue to producers as a means of improving cash flow at or after harvest. Each producer can obtain up to \$250,000 with the Government paying the interest on the first \$50,000 advanced to each producer. The advances are based on the security of the crop the producers have in storage and are repaid as the crop is sold. Should a producer not repay the advance, the Government reimburses the producer organization for the advance and the producer becomes indebted to the Crown for the amount of the payment.

The purpose of the advances is to improve marketing opportunities for producers. The advances allow producers to market the crops later in the season when the market conditions may result in better prices. As the crops are marketed throughout the year, the program encourages a more orderly marketing of crops.

For the 1997-98 crop year, the Department entered into forty-five (45) agreements with producer organizations across Canada, including the Canadian Wheat Board. These organizations issued advances to approximately 39,300 producers for \$770 million. During the 1997-98 fiscal year, the Department paid \$12.2 million in interest costs related to these agreements. As the agreements cover the entire marketing period for the 1997 crop and are, therefore, in effect until the fall of 1998, the organizations will not be in a position to make any claims on the Government guarantee until after this time.

Crop Year	Number of Organizations	Canadian Wheat Board	Non-Wheat Board	Total Advances Issued	Default Payments	Total Interest Costs
		Advances (\$ Millions)	Advances (\$ Millions)	(\$ Millions)	(\$ Millions)	(\$ Millions)
1992-93	50	1,081	122	1,203	46.8	46.2
1993-94	47	819	150	969	62.6	13.4
1994-95	49	524	206	730	11.3	21.2
1995-96	50	542	212	754	6.9	18.3
1996-97	47	875	272	1,147	23.3	16.3
1997-98	45	533	237	770	N/A	12.3

Notes:

1. The information provided for the 1997 crop year pertains to the APP under AMPA. Historical information provided for crop years 1992 to 1996 inclusive pertains to the former APCA and PGAPA.
2. The information provided is based on a crop year, which is approximately July 31 to August 1 and therefore, does not coincide with the Government's fiscal year. Consequently, the amounts provided for interest costs will not be the same as those provided in the Public Accounts which are on a fiscal year basis.

Government Purchases Program

Under the Government Purchases Program, the Minister of Agriculture and Agri-Food, with the authorization of the Governor-in-Council, may purchase and sell agricultural products. This authority would be used if unusual market conditions exist, as by intervening, the Minister could improve the marketing environment for a given product. Since AMPA was passed, this part of the Act has not been used. The program was last used in 1994-95 for the purchase of \$253,000 of mink pelts.

Price Pooling Program (PPP)

The new legislation incorporated the provisions of the *Agricultural Products Cooperative Marketing Act* (APCMA) into the Price Pooling Program. The purpose of the program is to facilitate the marketing of agricultural products under a cooperative plan. Under the PPP, as was the case under the former APCMA, the Government guarantees a minimum average wholesale price for an agricultural product sold by a marketing agency. The price guarantee agreement entered into with the marketing agencies protects the growers against unanticipated declines in the market price of their products and covers the initial payment made to producers plus costs incurred by the agencies to market the product, to a fixed maximum. The price guarantee helps the agencies obtaining financing to make the initial payment and fund its marketing operations as the financial institutions view the Government's guarantee as security on the loan. The initial payment is made to the producer by the marketing agencies on delivery of the agricultural product. The price guarantee is based on the expected average wholesale price for a given crop year. Should the average wholesale price received by the marketing agency for the crop year be below the guaranteed price, the Government reimburses the agency for the difference from the Consolidated Revenue Fund.

For the 1997-98 crop year, \$161 million in price guarantees, under AMPA, were provided to five marketing agencies across Canada for the benefit of nearly 21,050 producers.

During the 1997-98 fiscal year, a claim under APCMA by the Ontario Wheat Producers' Marketing Board for the 1996-97 crop year was paid in the amount of \$17,285,421 dollars. Also, in 1993, the Receivers for Eastern Ontario Vegetable Growers' Co-operative Inc. filed a claim under the APCMA relating to the 1991-92 crop year losses incurred by the Cooperative. The claim remains under review.

PPP AND APCMA HISTORICAL SUMMARY OF AGREEMENTS *					
Crop Year	Number of Marketing Agencies	Number of Producers	Total Guarantee (\$000s)	Liability Payments (\$000s)	
1992-93	19	24,504	228,351	16	(a)
1993-94	14	23,865	130,476		
1994-95	9	21,177	270,060		
1995-96	8	21,900	298,738		
1996-97	4	21,222	183,979	17,285	(b)
1997-98	5	21,050	160,520		
Total			1,272,124	17,301	

- a. Commercial Pheasant Producers Cooperative (1992)
- b. Ontario Wheat Producers' Marketing Board (1996)

* Note: The information provided for the 1997 crop year pertains to the PPP under AMPA. Historical information provided for crop years 1992 to 1996 inclusive pertains to the former APCMA.

VI. OTHER INFORMATION

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LEGISLATION ADMINISTERED BY THE MINISTER OF AGRICULTURE AND AGRI-FOOD

The Minister has sole responsibility to Parliament for the following Acts:

<i>Advance Payments for Crops Act</i> ⁽¹⁾	R.S.C., 1985, c. C-49, as amended
<i>Agricultural Marketing Programs Act</i>	S.C., 1997, c. 20
<i>Agricultural Products Board Act</i> (dormant)	R.S.C., 1985, c. A-4, as amended
<i>Agricultural Products Cooperative Marketing Act</i> ⁽¹⁾	R.S.C., 1985, c. A-5, as amended
<i>Agricultural Products Marketing Act</i>	R.S.C., 1985, c. A-6, as amended
<i>Agriculture and Agri-Food Administrative Monetary Penalties Act</i> ⁽²⁾	S.C., 1995, c. 40, as amended
<i>Animal Pedigree Act</i>	R.S.C., 1985, c. 8 (4th Supp.), as amended
<i>Canada Agricultural Products Act</i> ⁽²⁾	R.S.C., 1985, c. 20 (4th Supp.), as amended
<i>Canada Grain Act</i>	R.S.C., 1985, c. G-10, as amended
<i>Canadian Dairy Commission Act</i>	R.S.C., 1985, c. C-15, as amended
<i>Canadian Food Inspection Agency Act</i> ⁽²⁾	S.C., 1997, c. 6
<i>Canadian Wheat Board Act</i>	R.S.C., 1985, c. C-24, as amended
<i>Canagrex Dissolution Act</i> (dormant)	S. C. 1987, c. 38, S.6
<i>Department of Agriculture and Agri-Food Act</i>	S.C., 1994, c. 38, as amended
<i>Experimental Farm Stations Act</i>	R.S.C., 1985, c. E-16, as amended
<i>Farm Credit Corporation Act</i>	S.C., 1993, c. 14, as amended
<i>Farm Debt Mediation Act</i>	S.C., 1997, c. 21
<i>Farm Improvement and Marketing Cooperatives Loans Act</i>	R.S.C., 1985, c. 25 (3rd Supp.), as amended
<i>Farm Improvement Loans Act</i>	R.S.C., 1985, c. F-3, as amended
<i>Farm Income Protection Act</i>	S.C., 1991, c. 22, as amended
<i>Farm Products Agencies Act</i>	R.S.C., 1985, c. F-4, as amended
<i>Feeds Act</i> ⁽²⁾	R.S.C., 1985, c. F-9, as amended
<i>Fertilizers Act</i> ⁽²⁾	R.S.C., 1985, c. F-10, as amended
<i>Fish Inspection Act</i> ⁽²⁾	R.S.C., 1995, c. F-12, as amended
<i>Grain Futures Act</i>	R.S.C., 1985, c. G-11, as amended
<i>Health of Animals Act</i> ⁽²⁾	S.C., 1990, c. 21, as amended
<i>Livestock Feed Assistance Act</i> (dormant)	R.S.C., 1985, c. L-10, as amended
<i>Meat Inspection Act</i> ⁽²⁾	R.S.C., 1985, c. 25 (1st Supp.), as amended
<i>Plant Breeders' Rights Act</i> ⁽²⁾	S.C., 1990, c. 20, as amended
<i>Plant Protection Act</i> ⁽²⁾	S.C., 1990, c. 22, as amended
<i>Prairie Farm Rehabilitation Act</i>	R.S.C., 1985, c. P-17, as amended
<i>Prairie Grain Advance Payments Act</i> ⁽¹⁾	R.S.C., 1985, c. P-18, as amended
<i>Seeds Act</i> ⁽²⁾	R.S.C., 1985, c. S-8, as amended
<i>Western Grain Transition Payments Act</i>	S.C. 1995, c. 17, Sch. II

The Minister shares responsibility to Parliament for the following Acts:

<i>Consumer Packaging and Labelling Act</i>	R.S.C., 1985, c. C-38, as amended (Minister of Industry)
Criminal Code, Section 204	R.S.C., 1985, c. C-46, as amended (Minister of Justice and Attorney General of Canada)
<i>Department of Foreign Affairs and International Trade Act</i> , Paragraph 10(2)(e)	R.S.C., 1985, c. E-22, as amended (Minister of Foreign Affairs)
<i>Food and Drug Act</i> , Sections 2 and 27	R.S.C., 1985, c. F-27, as amended (Minister of National Health and Welfare)

1. These acts have been repealed by the *Agricultural Marketing Programs Act* (AMPA). However, the sections in the AMPA repealing these acts have not yet come into force. They therefore remain acts for which the Minister is responsible.

2. These acts are the responsibility of the Minister through the Canadian Food Inspection Agency.

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