



Canadian Grain Commission  
Commission canadienne  
des grains

# **Canadian Grain Commission**

**2011-12**

## **Departmental Performance Report**

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The Honourable Gerry Ritz  
Minister of Agriculture and Agri-Food

**Canada**



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## Minister's Message

I am pleased to submit to Parliament and Canadians the Canadian Grain Commission's (CGC) *Departmental Performance Report* for the fiscal year 2011-12.

Canada is known around the world for the quality, consistency, reliability, and safety of its grain and grain products. The activities of the CGC continue to be a key factor in permitting Canadian exporters to market successfully in competitive international grain markets.



Throughout 2011-12, our Government made significant progress on its commitment to modernize the western Canadian grain sector. In February 2012, I requested that the CGC explore possible changes to the *Canada Grain Act* as part of this broader effort.

During this exciting period of transformation, in April 2012, we also took time to celebrate the CGC's 100 years of service to Canada's grain producers and industry. Over the past 100 years, the CGC has kept pace with the needs of a changing industry. Our Government is proud of the service the Commission has been providing since 1912, and is excited about the prospects that lie ahead. With strong collaboration between the CGC and the entire Agriculture and Agri-Food Portfolio, we have a tremendous opportunity to re-think how our Government will continue to deliver for the ever-evolving industry moving forward.

This report details how the CGC used its resources from April 1, 2011 to March 31, 2012, to regulate grain handling and establish and maintain grain standards, while protecting the interests of producers and ensuring a dependable commodity for domestic and export markets.

**The Honourable Gerry Ritz, P.C., M.P.,  
Minister of Agriculture and Agri-Food**



## Chief Commissioner's Message

Since 1912, the Canadian Grain Commission (CGC) has served as the federal agency responsible for setting standards of quality and regulating Canada's grain handling system. Our vision is to be a leader in delivering excellence and innovation in grain quality and quantity assurance, grain quality research, and producer protection. CGC programs result in shipments of grain that consistently meet contract specifications for quality, safety and quantity. In addition, the CGC regulates the grain industry to protect producers' rights and facilitate fair treatment within the licensed grain handling system.



The grain sector is entering a period of significant transformation. In the context of the changes at the Canadian Wheat Board, and the Rail Service Review, the Minister of Agriculture and Agri-Food requested that the CGC engage its external stakeholders and seek their input on potential areas of change to the *Canada Grain Act*. In February 2012, an engagement letter was sent to all industry and producer stakeholders, asking for feedback on possible changes to the *Canada Grain Act*. Key areas under consideration include the governance and mandate of the CGC, producer payment security, licensing, inspection, weighing and enforcement. Going forward, the CGC will continue to work with Agriculture and Agri-Food Canada (AAFC) and the entire Agriculture and Agri-Food (AAF) Portfolio to deliver on the important priority of modernizing the *Canada Grain Act*.

I am pleased to report that, once again, the CGC received an unqualified audit opinion on its annual financial statements. A copy of the audited financial statements<sup>i</sup> is available on the CGC's website. As Chief Commissioner, I am proud of the CGC's ongoing exemplary work to effectively meet the needs of producers, the industry and all Canadians in general. The CGC remains committed to working with stakeholders to ensure Canada's Grain Quality Assurance System (GQAS) builds on its reputation as the best in the world. I invite you to read this report to learn more about the CGC's accomplishments and challenges and how the organization carried out its mandate during the 2011-12 reporting period.

**Elwin Hermanson**  
**Chief Commissioner**  
**Canadian Grain Commission**





## Section I: Organizational Overview

### Raison d'être

The Canadian Grain Commission (CGC) is a federal government agency that administers the provisions of the *Canada Grain Act*<sup>ii</sup> (CGA). The CGC's **mandate** as set out in the CGA is to, "in the interests of the grain producers, establish and maintain standards of quality for Canadian grain and regulate grain handling in Canada, to ensure a dependable commodity for domestic and export markets." The CGC's **vision** is to be "A leader in delivering excellence and innovation in grain quality and quantity assurance, research, and producer protection." The CGC reports to Parliament through the **Minister of Agriculture and Agri-Food**.

### Responsibilities

Under the CGA, the CGC regulates the handling of 21 grains<sup>i</sup> grown in Canada to ensure Canada's grain is safe, reliable and marketable, and Canadian grain producers are protected. The CGC is an unbiased, third party agency in Canada's grain sector and is the official certifier of Canadian grain. Through its activities, the CGC supports a competitive, efficient grain sector and upholds Canada's international reputation for consistent and reliable grain quality. To achieve its mandate, the CGC:

- regulates grain handling in Canada through the grain quality<sup>iii</sup> and quantity assurance<sup>iv</sup> programs,
- carries out scientific research<sup>v</sup> to understand all aspects of grain quality and grain safety and to support the grain grading system, and
- has implemented a number of producer protection programs<sup>vi</sup> and safeguards to ensure the fair treatment of Canadian grain producers when they deliver their grain to licensed grain elevators and grain dealers. This includes the licensing and security program, the producer car allocation program and the producer support program.

The CGC's head office is located in Winnipeg, Manitoba. As of March 31, 2012, the CGC employed 692 full-time equivalents (FTEs) and operated 12 additional offices across Canada.<sup>2</sup> Funding for CGC programs and activities is through a combination of revolving fund and appropriation sources. Additional information on the CGC's mandate and responsibilities is available on the CGC website.<sup>vii</sup>

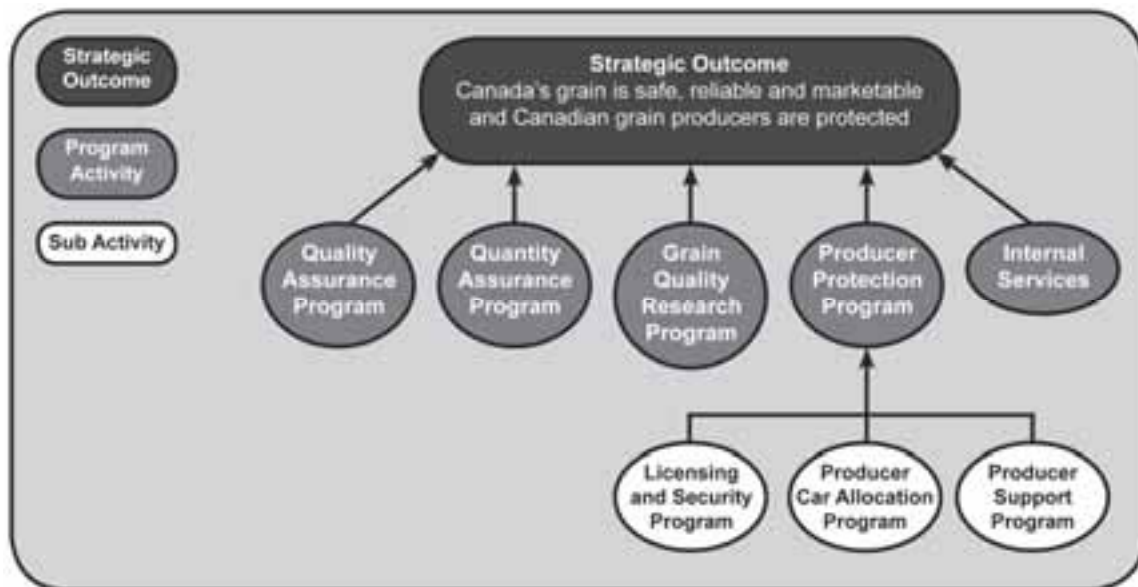
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<sup>1</sup> Grain refers to any seed designated by regulation as a grain for the purposes of the *Canada Grain Act*. This includes barley, beans, buckwheat, canola, chick peas, corn, fababeans, flaxseed, lentils, mixed grain, mustard seed, oats, peas,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

<sup>2</sup> Of the 692 FTEs, 14 were seconded from other government departments.

## Strategic Outcome and Program Activity Architecture

The following diagram illustrates the CGC's Program Activity Architecture (PAA). The CGC's PAA has five program activities which each contribute to making progress to the CGC's single strategic outcome. The producer protection program consists of three program sub-activities.



Canada is known around the world for the quality, consistency, reliability and safety of its grain and grain products. It is widely recognized that the provision of CGC programs and activities is fundamental to maintaining this reputation and to the functioning of Canada's GQAS. CGC programs result in shipments of grain that consistently meet contract specifications for quality, safety and quantity. This is essential for producers to realize maximum value from their grain. In our role as a neutral third party regulator and arbitrator, the CGC works in partnership with virtually every participant in the grain industry including producers, industry stakeholders, AAF Portfolio partners, and other government departments and agencies.

## Organizational Priorities

Priority	Type <sup>3</sup>	Strategic Outcome and Program Activity Linkage
Relevant positioning of CGC program activities to deliver upon the CGC's strategic outcome	New	This priority involves positioning the CGC to remain relevant and support the continued competitiveness of Canadian grains in both domestic and international markets. This includes development and integration of new technologies and protocols into daily program and service delivery, a sound regulatory framework, ongoing responses to increased market demands for assurances of grain safety and market concerns about low level presence of unapproved genetically engineered events, as well as continuously improving producer protection programs and service delivery models. This priority contributes to all CGC program activities and the overall strategic outcome.
<ul style="list-style-type: none"> <li>During 2011-12, the CGC continued efforts to evolve service delivery models to remain relevant and meet future service requirements. Specific initiatives undertaken to make progress towards this priority include: <ul style="list-style-type: none"> <li><b>Investigating a 24/7 CGC staffing model for Vancouver:</b> This initiative is aimed at responding to terminal elevator companies in the port of Vancouver that require access to CGC services 7 days per week, 24 hours per day. The goal is to develop a model that meets stakeholder needs, but also respects the collective agreements and work-life balance of CGC employees. During 2011-12, progress was made on identifying potential models and researching practices in other government and private sector organizations. Consultations with CGC stakeholders and engaging union participation towards the selection of a preferred model will continue in 2012-13.</li> <li><b>Expansion of the Winter Rail Program Model:</b> The goal of this initiative was to investigate expansion of the service delivery model used for winter rail shipments of wheat into eastern transfer elevators. During 2011-12, consultations were started with stakeholders including several transfer elevator operators as well as the Canadian Wheat Board. The intent was to gather information for future decisions and planning. However, the expansion of the winter rail program was discontinued in light of proposed changes to the CGA and possible changes to inward inspection and weighing requirements.</li> <li><b>Development of the Accredited Container Sampler and the Certified Container Sampling Programs:</b> Grain exported in containers is not required to be inspected and certified under the CGA, but some shippers request CGC certification to meet market requirements. To address industry needs for this service, two programs are being developed to allow grain companies to either submit their own samples drawn under CGC-certified sampling procedures or allow CGC-accredited samplers to take samples at container facilities and submit them to the CGC for inspection and certification. Nine grain companies, two transloaders and three private sector third party companies are participating in the pilot project. Training sessions for samplers and auditors are underway with a target date for roll-out of these programs of August 1, 2012.</li> </ul> </li> </ul>		

3. "Type" is categorized as follows: **Previously committed to**—committed to in the first or second fiscal year before the subject year of the report; **Ongoing**—committed to at least three fiscal years before the subject year of the report; and **New**—newly committed to in the reporting year of the Departmental Performance Report.

- **Multiple Railcar Unload (MRU) Pilot Program:** This pilot program is based on inspection and weighing of multiple railcars as a single lot. For inspection, railcars identified as a lot are sampled collectively and the analysis of the composite sample provides the basis for grade, dockage, protein, moisture and any other quality assessment for all the individual railcars in the lot. For weighing, railcars identified as a lot are weighed collectively and individual railcar weights are derived as an average railcar weight relative to the total weight and the number of railcars in the lot. MRU was piloted at two separate terminals in Vancouver and one in Prince Rupert for the inspection of inward canola railcars. Due to the automation and sequencing of railcar unloading at these terminals, MRU for weighing would require re-programming of the single car weighing systems, so MRU for weighing was deferred. Some terminal elevators in Thunder Bay and some transfer elevators in Québec have expressed interest in MRU for inspection and weighing at their facilities. Valuable information and lessons learned were gathered during the trials and the MRU program will continue as an option for railcar unloading.
- The CGC continued efforts to facilitate market access for Canadian grain to ensure Canadian grain remains competitive domestically and internationally. Specific initiatives that were undertaken include:
  - **International recognition of CGC Hazard Analysis Critical Control Point (HACCP) Grain Safety Programs:** The CGC has been exploring the opportunity to have its HACCP Grain Safety Programs recognized internationally. This was evaluated with the Global Food Safety Initiative and other potential options were developed with grain industry stakeholders. Discussions and planning will continue to determine the most effective way to reduce costs and duplication in food safety systems while maintaining customer confidence in the safety and quality of Canadian grain.
  - **Evaluating the Implications of Low Level Presence (LLP) of Unapproved Genetically Engineered (GE) Events to Canada's GQAS:** New GE crops are being continuously developed around the world. Many countries have established policies prohibiting the presence of unapproved GE material or have set extremely low limits for GE events. Currently there is no international standard or common level of acceptance for LLP. The CGC is part of a steering committee made up of representatives from AAFC, Canadian Food Inspection Agency (CFIA), Department of Foreign Affairs and International Trade (DFAIT), Health Canada, and Environment Canada that developed a draft policy for Canada to deal with market access issues. The CGC participated in the public consultations that were held in fall 2011 as well as an international meeting hosted by Canada in March 2012. To date, ten countries have endorsed the International Statement on LLP. The CGC will continue to stay actively involved and evaluate how Canada's GQAS, as well as CGC monitoring and testing services, may need to evolve.
  - **Mycotoxin Research, Testing, Monitoring and Certification:** Mycotoxins are the toxic by-products of fungi or moulds. Fungal infections in grain can occur in the field and during storage. With favourable conditions, fungi can proliferate and produce mycotoxins that can have a wide range of toxic effects. Regulatory limits for mycotoxins in food commodities have been established for many mycotoxins such as aflatoxins, deoxynivalenol (DON) and ochratoxin A. While Health Canada establishes domestic limits for mycotoxins in food within Canada, mycotoxins are an important grain safety factor for international grain marketing as well. Maximum limits for mycotoxins have been established through international organizations such as CODEX Alimentarius. During 2010-11, mycotoxin testing capacity at CGC regional laboratories was increased thereby improving the speed and availability of testing services for export shipments. A testing method was selected by the Grain Research Laboratory and validated by the CGC's Industry Services Division in an operational environment in the Industry Services laboratory in Winnipeg. Work to renovate and equip

regional laboratories is complete in Vancouver and well underway in Thunder Bay and Montreal. Regional laboratory employees have been trained to perform the testing procedure and ISO accreditation of the procedure is being pursued. Cargo testing services for ochratoxin A will soon be available from the regional laboratories.		
Priority	Type <sup>4</sup>	Strategic Outcome and Program Activity Linkage
Integrated people and business management	New	This priority involves sound integrated and accountable planning and management processes to ensure the optimal allocation of human and financial resources to meet business needs. This priority contributes to all program activities and the overall strategic outcome.
<ul style="list-style-type: none"> <li>The CGC continued to make progress towards the realization of a sustainable funding model to reduce reliance on ad hoc funding. The goal of a sustainable funding model is to create a more stable environment for long term integrated people and business planning and management. Updating CGC user fees is a key component of this initiative. Extensive user fees consultations were conducted in late 2010 and early 2011 and valuable feedback on CGC services was received from grain sector stakeholders. During 2011-12, the CGC continued the process of reviewing and updating CGC user fees in accordance with the process laid out in the <i>User Fees Act</i>. A proposal to Parliament is planned that sets out an updated fee structure based on the costs of services. Implementation of new fees is currently projected during 2013-14.</li> <li>During 2011-12, the CGC continued to work on the One Operational Group (OOG) project. The purpose of the OOG project was to evaluate the benefits and challenges of merging all operational grain weighers and grain inspectors into a single operational group and single collective agreement. A decision to not proceed with implementation of OOG was made and communicated to all CGC employees in July 2011. While this initiative is not proceeding, the CGC remains committed to investigating other options to ensure its workforce evolves to meet future service requirements.</li> </ul>		

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4. "Type" is categorized as follows: **Previously committed to**—committed to in the first or second fiscal year before the subject year of the report; **Ongoing**—committed to at least three fiscal years before the subject year of the report; and **New**—newly committed to in the reporting year of the Departmental Performance Report.

## Risk Analysis

Since its inception in 1912, CGC programs and practices have been built on sound risk management and risk mitigation principles. Risk assessment and risk management is carried out by all CGC divisions and units as an integrated part of their policy, planning, priority setting, resourcing, program delivery and reporting activities. In addition, risk assessment and risk management is embedded in the Integrated People and Business Planning process to ensure the workforce and work environments align with the current and future needs of the CGC.

While the majority of risk involved in the CGC's work is inherent and constant, some risk varies according to changes in the internal and external environment. The inherent risks in CGC programs and services, such as risks associated with assuring accurate quality and quantity assessment and accurate certification of Canadian grain, are addressed by continuous monitoring and adjustment in order to bring residual risk to tolerable levels, thereby maintaining high performance standards. Feedback from producers and grain handlers, domestic and international processors, and other government organizations often provides early indication of potential risk in the external environment. In addition, the CGC actively monitors its operating environment to identify and manage risks that could affect delivery of its strategic outcome or program activities.

In 2011-12, the CGC identified three key risk areas that could affect delivery of the CGC's strategic outcome and/or program activities. These are: the risk that the required effort for CGC priorities and initiatives could exceed human resource availability; insufficient capital investment funding for long-term operational sustainability; and limited ability and/or expertise to respond to a rapidly changing environment in order to keep the GQAS relevant.

To address the first risk, the number of CGC strategic initiatives for 2011-12 was reduced from twelve to nine and plans became more focused. In addition, strategic initiatives began to be monitored on a quarterly basis, with corresponding adjustments as required. Solid progress was registered on each of the initiatives as described in the Organizational Priorities section above. Going forward, the number of strategic initiatives for 2012-13 has been further reduced from nine to five.

To address the risk of insufficient capital investment funding for long-term operational sustainability, the CGC continued efforts to establish a sustainable CGC funding model. A sustainable funding model will also create a more stable environment for integrated people and business management.

Several of the CGC's 2011-12 strategic initiatives were aimed at mitigating the third key risk of limited ability and/or expertise to respond to a rapidly changing environment in order to maintain

the relevancy of the GQAS. These initiatives included investigating a 24/7 staffing model for Vancouver, expansion of the Winter Rail Program model, development of the Accredited Container Sampler and Certified Container Sampling Programs, the Multiple Railcar Unload pilot program, seeking international recognition of the CGC HACCP Grain Safety Programs, evaluating the implications of LLP and unapproved GE events to Canada's GQAS, further fine-tuning of mycotoxin detection and research, and the OOG project. Going forward, the CGC will continue efforts to update and maintain the relevancy of Canada's GQAS. This includes plans to modernize the *CGA* and the CGC to respond to quality and quantity needs in the evolving grain handling and transportation system.

Successful risk monitoring, identification, assessment and management are evidenced by the CGC's long-standing success in delivering upon its strategic outcome and program activities.

## Summary of Performance

### 2011-12 Financial Resources (\$ thousands)

Planned Spending	Total Authorities	Actual Spending
81,216	87,301	81,894

### 2011-12 Human Resources (FTEs)

Planned	Actual	Difference
725	692	(33)

#### Planned Spending to Total Authorities:

Planned spending, as reported in the CGC's *2011-12 Report on Plans and Priorities* (RPP), was approximately \$81.2 million, whereas total authorities were approximately \$87.3 million. The \$6.1 million difference between planned spending and total authorities is because planned spending reflects forecasted revenues of \$37.2 million based on projected grain volumes of 50.0 million tonnes whereas total authorities includes the CGC's authority limit with respect to respendable revenue at \$42.9 million as per the Main Estimates (a difference of \$5.7 million). The CGC received an additional \$0.4 million related to operating budget carry forward and severance payments subsequent to the publication of the RPP.

#### Total Authorities to Actual Spending:

Total authorities for 2011-12 were approximately \$87.3 million, whereas actual spending was approximately \$81.9 million, representing a difference of \$5.4 million. The difference is primarily because the 2011-12 expenditure framework was based on plans to respend revenue of \$37.2 million based on grain volumes of 50.0 million tonnes. This is \$5.7 million less than the authority limit of \$42.9 million as per the Main Estimates. The CGC manages and monitors expenditures conservatively on a yearly basis due to reliance on ad hoc funding.

#### Planned Human Resources to Actual Human Resources:

The difference between planned FTEs and actual FTEs was -33. This was primarily due to delays in hiring due to potential organizational changes.



<b>Strategic Outcome: Canada's grain is safe, reliable and marketable and Canadian grain producers are protected</b>		
<b>Performance Indicator</b>	<b>Target</b>	<b>2011-12 Performance</b>
Number of instances where buyers are dissatisfied with CGC standards, methods or procedures used to ensure a dependable commodity for domestic and export markets	Zero instances	<ul style="list-style-type: none"> <li>There were two instances where buyers of Canadian grain expressed dissatisfaction with CGC standards, methods and/or procedures used to ensure a dependable commodity for domestic and export markets. To put this in context, the CGC certified the quality of 8,872 cargoes representing approximately 30.6 million tonnes of grain in 2011-12. In both instances, buyer testing results were different than CGC testing results. Test result variances were due to sampling variability and differences in testing equipment and procedures used. The CGC is working with a sampling consultant to examine the issue of variability within sampling and continues to work collaboratively with industry stakeholders to adjust testing methods and procedures where appropriate.</li> </ul>
Level of producer satisfaction with CGC producer protection services	Zero unresolved or unaddressed complaints	<ul style="list-style-type: none"> <li>The CGC met its target of zero unresolved or unaddressed complaints by responding to all known instances where Canadian grain producers were dissatisfied with CGC producer protection services. The CGC continued to offer key protection services to Canadian grain producers. These services contribute to producers' ability to receive fair payment for the quality and quantity of grain they produce and deliver. Additional information on the programs and services that contributed to successfully meeting this target is included in the Producer Protection Program Activity section.</li> </ul>

**Performance Summary, Excluding Internal Services**

Program Activity	2010–11 Actual Spending (\$ thousand)	2011–12 (\$ thousand)				Alignment to Government of Canada Outcome <sup>viii</sup>
		Main Estimates	Planned Spending	Total Authorities	Actual Spending	
Quality Assurance Program	39,095	38,826	41,799	44,261	40,835	Innovative and knowledge-based economy
Quantity Assurance Program	12,557	12,789	12,761	15,660	13,177	
Grain Quality Research Program	10,075	10,038	10,038	9,356	10,214	
Producer Protection Program	3,688	3,005	3,857	3,933	3,947	Fair and secure marketplace
<b>Total</b>	<b>65,415</b>	<b>64,658</b>	<b>68,455</b>	<b>73,210</b>	<b>68,173</b>	

**Performance Summary for Internal Services**

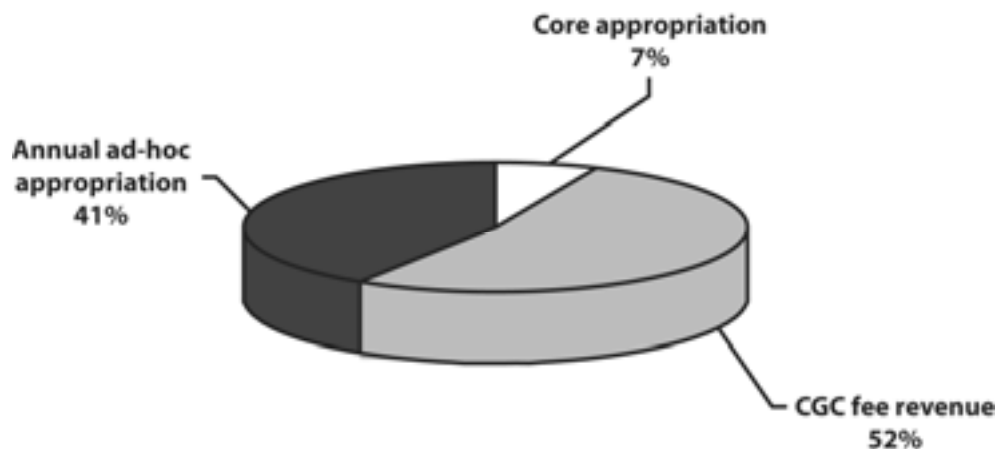
Program Activity	2010–11 Actual Spending (\$ thousand)	2011–12 (\$ thousand)			
		Main Estimates	Planned Spending	Total Authorities	Actual Spending
Internal Services	13,156	13,757	12,761	14,091	13,721

## Expenditure Profile

The CGC is funded by a combination of an ongoing appropriation, ad hoc appropriation and authority to re-spend fees collected. A revolving fund (RF) was set up for the CGC in 1995 with the expectation that the CGC would be largely self-funded through fees for services. However, the RF has not worked as expected. Additional ad hoc appropriation has been required to meet CGC operational requirements on a yearly basis since 1999. The following chart illustrates average CGC spending by funding source over the past five years (2007-08 through 2011-12). During this time:

- approximately 41 percent of CGC expenditures have been funded by annual ad hoc appropriation (this includes the use of the CGC's accumulated surplus between 2008-09 and 2011-12);
- approximately 7 percent of CGC expenditures have been funded through core appropriations which have historically been used to cover a portion of the costs related to the grain quality research program and functions that were associated with Assistant Commissioner positions. The last Assistant Commissioner term ended in June 2008 and Assistant Commissioner functions have been assumed by CGC Commissioners, the CGC Licensing Unit and the CGC Communications Unit; and
- approximately 52 percent of expenditures have been funded through CGC fee revenues collected primarily from inspection and weighing services.

**Average Spending by Funding Source (2007-08 to 2011-12)**

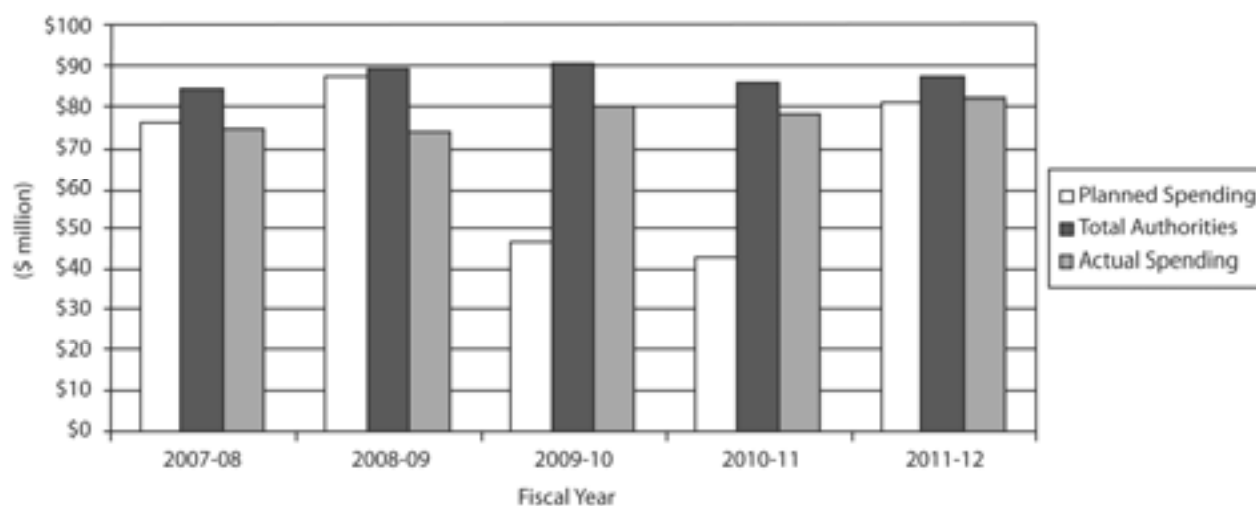


Most of the CGC's user fees have not been updated since 1991 despite the fact that the cost of providing services has continued to rise. The CGC is in the process of developing a user fee

structure and funding mechanism that will eliminate annual ad hoc funding and result in fair and consistent user fees, service standards and performance measures for services. The additional revenues will provide the CGC with sufficient resources and a stable funding platform to provide mandated services and deliver upon the strategic outcome of ensuring Canada's grain is safe, reliable and marketable and Canadian grain producers are protected. In accordance with the process laid out in the *User Fees Act*, a proposal to Parliament is planned that sets out an updated fee structure based on the costs of services. Amended fees are planned to take effect in the 2013-14 fiscal year. Federal Budget 2012 provided the CGC with \$43.6 million (\$26.8 million in 2012-13 and \$16.8 million in 2013-14) to transition the CGC to a sustainable funding model. Further information on the CGC's user fees consultation process and feedback received to date is available at: <http://www.grainscanada.gc.ca/consultations/consultation-eng.htm>.

The graph below shows CGC planned spending, total authorities, and actual spending over the past several years. For the 2007-08 to 2011-12 period, total authorities is reflective of all funding sources available to the CGC including appropriations realized through the full Estimates process and fees generated through the provision of services. Trend analysis and projections are challenging because CGC revenues and expenditures are dependent on annual grain volumes and crop quality that can fluctuate considerably from year to year, and are not fully known prior to commencement of the fiscal year. These factors can result in significant variances between CGC revenue and expenditure projections. Planned spending and total authorities have generally increased over time with inflation. There have been no significant program changes in recent years.

**Spending Trend**



Planned spending, as shown in the graph above, reflects only the CGC's approved authorities as reported in the annual RPP documents. Planned spending for 2009-10 and 2010-11 includes only

the annual appropriation of \$5.2 million and projected spendable revenue of approximately \$41.4 million. These resource levels reflect the approved funding at the time the Main Estimates for 2009-10 and 2010-11 were prepared. Total authorities for 2009-10 and 2010-11 include additional funding approved subsequent to the publication of the 2009-10 and 2010-11 RPP documents. The difference between 2011-12 planned spending and total authorities is because total authorities as reported in the Main Estimates are \$42.9 million. The CGC budgets and plans based on forecasted spendable revenues of \$37.2 million and projected grain volumes of 50.0 million tonnes representing a difference of approximately \$5.7 million.

Federal Budget 2010 instituted cost containment measures designed to reduce departmental spending by 1.5 percent. Actual CGC spending in 2011-12 was approximately \$3.3 million more than actual spending in 2010-11 which represents an increase in spending of approximately 4 percent. This is primarily due to increased quality and quantity assurance program delivery costs resulting from a 9 percent increase in 2011-12 grain volumes over 2010-11 grain volumes. Increased costs, due to increased volumes handled, were offset by associated increases in user fee revenues. As a revolving fund, the CGC has acted in the spirit of cost containment and continued to manage and monitor operating expenditures conservatively. In addition, capital expenditures were limited to 'mission critical' acquisitions.

## Estimates by Vote

For information on CGC organizational Votes and/or statutory expenditures, please see the 2011–12 Public Accounts of Canada (Volume II). An electronic version of the Public Accounts is available on the Public Works and Government Services Canada's webpage.<sup>ix</sup>

## Section II: Analysis of Program Activities by Strategic Outcome

### Strategic Outcome

#### **Canada's grain is safe, reliable and marketable and Canadian grain producers are protected**

The CGC has one strategic outcome that reflects the daily delivery of program activities and the long-term benefit to Canadians stemming from the CGC's mandate and vision. As a regulatory agency, the CGC is mandated to, in the interests of grain producers, establish and maintain standards of quality for Canadian grain and regulate grain handling in Canada, to ensure a dependable commodity for domestic and export markets. The CGC has five program activities to reflect how its resources are allocated and managed to achieve intended results.

The CGC is committed to modernizing legislation and reducing costs to the grain sector, including producers. Modernization of the *CGA* and the *Canada Grain Regulations* will ensure that the CGC's legislation, programs and services continue to meet the evolving needs of Canadian producers and the grain industry and that the CGC can effectively and successfully deliver upon its strategic outcome and program activities.

Liaising with AAF Portfolio partners and other federal government departments (e.g. Health Canada and DFAIT), the Canadian grain industry and international agencies concerning grain safety matters and trade implications continues to be very important. In addition, CGC scientists and technical experts continued to play an important market support role by liaising with buyers, marketers, industry and producers and providing technical advice and information on grain quality, grain safety, and end-use quality. Liaison activities and client feedback are critical components for continuously improving Canada's GQAS and CGC programs and activities.

#### **How the CGC tracks and reports:**

The following sections identify the expected results for each program activity and 2011-12 performance measured against targets established in the CGC's Performance Measurement Framework. The CGC is committed to providing fair and reliable performance information. The CGC continuously evaluates progress against plans that are identified in the RPP through a quarterly monitoring and tracking tool. This tool also provides an opportunity to address challenges and capture 'lessons learned'. The CGC will continue efforts to refine the monitoring tool to facilitate improved evaluation of progress against plans.

**Performance assessment and analysis:**

CGC performance assessment and analysis includes both quantitative and qualitative information to give context to the CGC's performance story. It is important to note that the majority of CGC services and activities are mandated by the *CGA*. In addition, provision of inspection and weighing services are largely dependent on Canadian export volumes which are in turn dependent on factors such as crop production, crop quality, price, production choices and weather. Given this variability, a quantitative comparison of services provided between years and/or to other organizations is not a reliable indicator of performance. The performance analysis discussion identifies the key activities and major accomplishments that contributed to and/or impacted upon program activity performance. Independent verifiable performance information is included where available.



## Program Activity: Quality Assurance Program

### Program Activity Description

Canada's GQAS assures consistent and reliable grain quality that meets the needs of international and domestic markets. Daily provision of grain inspection and grading services as mandated by the CGA as well as strong scientific and technical support programs and services are integral to the overall delivery of an effective GQAS. Canada's GQAS is continually adapted to the end-use needs of domestic and international buyers of Canadian grain, and to the ongoing structural changes within the grain industry to maintain Canada's reputation as a consistent supplier of quality grain. An effective GQAS is a key factor in permitting Canadian exporters to market successfully in competitive international grain markets and is essential for producers in order to realize maximum value from their grain.

#### 2011–12 Financial Resources (\$ thousands)

Planned Spending	Total Authorities <sup>5</sup>	Actual Spending <sup>6</sup>
41,799	44,261	40,835

#### 2011–12 Human Resources (FTEs)

Planned	Actual	Difference <sup>7</sup>
373	346	(27)

Expected Result	Performance Indicator	Target	Actual Results <sup>8</sup>
Consistent and reliable grain quality and grain safety assurance to meet the needs of domestic and international markets	Number of justified cargo complaints due to a breakdown in CGC quality and/or safety assurance	Zero	One

<sup>5</sup> Planned spending differs from total authorities with respect to non-appropriation funding because planned spending includes spendable revenue of \$37.2 million based on projected grain volumes of 50.0 million tonnes while Main Estimates reflects the authority limit of spendable revenue for 2011-12 of \$42.9 million.

<sup>6</sup> Planned spending differs from actual spending because the CGC managed and monitored operating expenditures conservatively and capital expenditures were limited to 'mission critical' acquisitions. There were no significant program changes during 2011-12.

<sup>7</sup> The difference between planned FTEs and actual FTEs is primarily due to delays in hiring due to potential organizational changes.

<sup>8</sup> CGC staff certified the quality of 8,872 cargoes representing 30,587,132 tonnes of Canadian export grain. The CGC received complaints regarding 18 of those cargoes. Upon investigation, it was determined there was one justified cargo complaint. Further information is provided in the Lessons Learned section below.

## Performance Summary and Analysis of Program Activity

Daily provision of grain inspection and grading services as mandated by the CGA, as well as scientific and technical support programs and testing services, continue to be integral components of this program activity. During 2011-12, the CGC provided the following inspection and testing services in accordance with the CGC's quality management system ISO 9001:2008 Standards in support of the Quality Assurance Program:

- inspected 311,911 railcars upon receipt at licensed terminal and transfer elevators (compared to 290,471 in 2010-11),
- inspected 30,587,132 tonnes of Canadian grain for export from licensed terminal and transfer elevators (compared to 29,566,354 tonnes in 2010-11), and
- certified 1,534 samples submitted for grading by producers (compared to 2,601 in 2010-11) and 12,461 samples submitted by grain companies (compared to 14,841 in 2010-11).<sup>9</sup>

There were 8,659 grade changes on official reinspection representing a CGC inspection accuracy rate of 97.2 percent. This compares to an accuracy rate of 98.3 percent in 2010-11 and 98.8 percent in 2009-10.

The CGC certified the quality of 8,872 cargoes in fiscal year 2011-12 and investigated complaints from buyers regarding 18 of those cargoes. Upon thorough investigation of the loading process, including analysis of cargo samples and vessel loading documentation, the CGC's Chief Grain Inspector concluded that one of the complaints was justifiable. This compares to zero justifiable complaints in fiscal year 2010-11 and one justifiable cargo complaint in fiscal year 2009-10 when the CGC certified the quality of 8,257 and 7,911 cargoes respectively.

The quality of the 2011 harvest was good overall despite delays in seeding caused by a wet spring. A warm, dry summer and autumn helped the overall crop quality. For example, based on the samples received by the CGC through the Harvest Sample Program, over 76 percent of Canada Western Red Spring wheat samples were eligible for the top two grades. Ergot, frost, mildew and fusarium damage were predominant grading factors. For western Canadian canola, 85 percent of the 2011 samples received were eligible for the Canola, No. 1 Canada grade.

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<sup>9</sup> The number of samples submitted for grading by producers and grain companies tends to be inversely related to annual harvest quality. For example, in years when harvest quality is good, the number of samples submitted for grading tends to decrease.

The Western Standards Committee<sup>x</sup> and the Eastern Standards Committee<sup>xi</sup> each meet independently twice a year to review Canada's grading system to ensure it continues to be relevant to the Canadian grain sector and buyers of Canada's grain. Broad representation on the Committees by grain producers, processors, exporters and government representatives ensures that the views of all principals are considered and that Canada's grading system is responsive to the needs of producers, the Canadian grain industry, and domestic and overseas buyers. The Standards Committees recommend specifications for grades of grain and recommend standard samples to the CGC. In addition, the Standards Committees recommend grading studies, projects and research and base grading recommendations, in part, on the outcome of these projects. This ensures that changes to the grading system are grounded in thorough research and investigation. Four sub-committees composed of marketers, grain handlers and producers continued to advise the Western Standards Committee on commodity-related concerns for wheat, barley and other cereal grains, oilseeds, and pulses.

In 2011-12, the Western Standards Committee recommended new standard samples for the 2011-12 crop year for No. 1 and 2 Canada Yellow Peas, No. 2, 3 and 4 Canada Western Red Spring, and No. 1, 2 and 3 Canada Western Amber Durum. New guide samples were recommended for No. 3 and 4 Canada Western Red Spring (frost/heat stress). The Eastern Standards Committee recommended new standard samples for the 2011-12 crop year for No. 1 and 2 Canada Yellow Peas and a new guide sample for No. 1 Canada Eastern Red Winter. These tools are used by grain company inspectors and CGC inspectors when grading grain.

The CGC continued monitoring programs for the presence and source of nonregistered and deregistered varieties to support the CGC certification processes and maintain end-use processing quality. In addition, the CGC continued to provide grain safety assurances on pesticides, trace elements, mycotoxins, fungi, and moulds to meet buyer and consumer demands and ensure Canadian grain is meeting international grain safety and sanitation expectations. Responding to increasing demands for grain safety assurances from buyers and national food inspection authorities continues to be a CGC priority. Further information on current CGC strategies for grain safety assurance is available at: <http://www.grainscanada.gc.ca/quality-qualite/gsa-asg/safety-salubrite-eng.htm>.

The CGC's Quality Assurance Program must continually adapt and respond to the needs of domestic and international markets to remain relevant and to ensure that Canada's reputation for consistent grain quality and grain safety is maintained. As such, the CGC continued to assess the use of objective tests and continued to evaluate new technologies to measure end-use quality and safety with the goal of increasing efficiency, reducing costs, and enhancing testing capabilities. The CGC continuously reviews program development and delivery to meet grain industry needs based on recommendations and feedback received from the Western Standards Committee, the

Eastern Standards Committee, producers, grain handlers, and domestic and overseas buyers and processors. Results achieved under the CGC's priorities identified in Section I are significant in the development of new methods and processes aimed at maintaining and strengthening Canada's GQAS to ensure a safe, dependable commodity going forward.

Additional information on the activities and services that contribute to the Quality Assurance Program is available at: <http://www.grainscanada.gc.ca/quality-qualite/iaqm-mrsq-eng.htm>

## Lessons Learned

During 2011-12, the CGC received several cargo complaints related to end-use functionality of grain as a result of product not processing as it had historically. It was determined that all CGC inspection related activities for these shipments were carried out properly. The one justified complaint involved a shipment that met the overall protein minimum ordered; however, the protein was variable throughout the cargo. As a result, the "Shipment by Specification" request order was modified to more clearly identify the various specifications and parameters surrounding them.

All CGC inspection services are delivered in accordance with the CGC's quality management system, as per ISO 9001:2008 Standards. During 2011-12, there were a total of 56 inspection related Improvement Requests (IRs). In addition, there were two inspection/weighing related IRs. Eight of the IRs were a result of non-conformances identified during internal and external audits. Non-conformances occur when Quality Management System (QMS) procedures or work instructions are not followed. IRs are also created when there are recommendations for changes to work processes or if there are changes to CGC inspection programs. The CGC has reviewed the summary reports that were completed during the audits. The IRs have been submitted to the procedure owner with an appropriate corrective action identified and a timeframe attached to ensure completion. IRs allow the CGC to adjust service procedures as necessary and identify or adjust training requirements to maintain and/or enhance the effective and consistent delivery of inspection services and programs.

## Program Activity: Quantity Assurance Program

### Program Activity Descriptions

The Canadian grain quantity assurance system assures the weight of grain loaded into or discharged from conveyances and in storage in the licensed terminal and transfer elevator system to meet the requirements of the grain industry from producers to customers. Daily provision of grain weighing services as mandated by the *CGA* forms a major part of the Quantity Assurance System. To maintain relevancy and to address constantly changing industry demands, ongoing technical support is provided in support of the grain quantity assurance system.

#### 2011–12 Financial Resources (\$ thousands)

Planned Spending	Total Authorities <sup>10</sup>	Actual Spending
12,761	15,660	13,177

#### 2011–12 Human Resources (FTEs)

Planned	Actual	Difference
114	111	(3)

Expected Result	Performance Indicator	Target	Actual Results
Consistent and reliable quantity assurance of Canadian grain shipments	Number of justified cargo complaints due to a breakdown in CGC assessment of quantity	Zero	Zero

### Performance Summary and Analysis of Program Activity

During 2011-12, the CGC continued to deliver all weighing services as per ISO 9001:2008 Standards to ensure consistent and reliable quantity assurance of Canadian grain shipments. For example, to meet the legislative mandate of the *CGA* and the requirements of the grain industry from producers to customers, the CGC:

- officially weighed and certified 316,247 railcar unloads upon receipt at licensed terminal and transfer elevators (compared to 300,567 railcar unloads in 2010-11), and

<sup>10</sup> Planned spending differs from total authorities with respect to non-appropriation funding because planned spending includes spendable revenue of \$37.2 million based on projected grain volumes of 50.0 million tonnes while Main Estimates reflects the authority limit of spendable revenue for 2011-12 of \$42.9 million.

- monitored and certified 30,587,132 tonnes of grain prior to export from licensed terminal and transfer elevators (compared to 29,566,354 tonnes in 2010-11).

The CGC logged and investigated two weight-related export cargo complaints at the customer's request. Upon thorough review and analysis of the information documented at the time of loading, the CGC's Chief of Weighing concluded that neither of the complaints was justified. This compares to one justified cargo complaint related to weight in 2010-11.

The CGC continued to provide ongoing quantity assurance technical support and advice to the Canadian grain industry. These activities contributed to the CGC's strategic outcome of ensuring that Canada's grain shipments are reliable and that Canadian grain producers are protected. For example:

- CGC Weighing Systems Inspectors conducted 508 weighing system device inspections to verify the accuracy and reliability of licensed terminal and transfer elevator weighing equipment. In 173 instances (34 percent), the device under inspection required an adjustment or servicing. Of these 173 inspections, 52 (30 percent) were found to be operating with measurement errors of 0.10 percent or greater. CGC Weighing Systems Inspectors oversaw adjustments to these 52 devices to ensure they were adjusted as close to zero error as possible.
- CGC staff conducted 12 official weigh-overs of all stocks in store at licensed terminal and transfer elevators to verify the overage or shortage of grain, grain products, or screenings in an elevator pursuant to the tolerances stipulated in the *Canada Grain Regulations*.

Although the CGC does not provide binding arbitration for weight shortages, the CGC's Dispute Resolution Settlement (DSR) neutral third-party railcar investigation process provides key information to support shippers' entitlement to adjustment for excessive grain shortages at unload. During 2011-12:

- the CGC conducted 465 weight-related investigations on railcars,
- 790 railcars required their weights officially apportioned due to the mixing of grain from two or more railcars in a common grain reception area as the cars were unloaded,
- 21 cars required their origin weight to be verified and assigned as the official unload weight due to incidents around un-recovered spills, and

- 5280 exception reports were completed for railcars unloaded between April 1, 2011 and March 31, 2012. 848 of those reports were cars that arrived at unloading facilities with low soundings and 1942 reports were for cars arriving with empty compartments.

While client claim success rates are confidential, clients maintain that the information supplied by the CGC's DRS is a very significant part of their claim and is the most reliable information for processing a successful claim. During 2011-12, there were zero instances where disputes with respect to weight were not addressed and feedback not provided.

Additional information on the activities and services that contribute to the Quantity Assurance Program is available at: <http://www.grainscanada.gc.ca/quantity-quantite/iaqnm-mrsqn-eng.htm>

## Lessons Learned

CGC weighing policies and procedures are monitored and evaluated on an ongoing basis through a series of reporting policies and national discussion and review forums. This allows the CGC to adjust service procedures as necessary and identify or adjust training requirements to maintain and/or enhance the effective and consistent delivery of weighing services and programs. During 2011-12, there were a total of nine weighing related Improvement Requests (IRs). Three of the IRs were a result of non-conformances identified during internal and external audits. Non-conformances occur when Quality Management System (QMS) procedures or work instructions are not followed. IRs are also created when there are inconsistencies in documentation, if there are changes to CGC weighing programs, or changes required to work processes. The CGC has reviewed the summary reports that were completed during the audits. In order to take appropriate actions, an IR form was submitted to the procedure owner, and an appropriate corrective action was identified. A timeframe was attached to ensure completion.

## Program Activity: Grain Quality Research Program

### Program Activity Descriptions

The CGA requires the CGC to undertake, sponsor and promote research related to grains. The CGC conducts research in support of the GQAS to address emerging issues and permit the effective marketing of Canadian grain in the interests of producers and the Canadian grain industry. The CGC's Grain Research Laboratory (GRL) researches methods to measure grain quality, new quality factors, and new grain standards. Grain quality research supports the continual improvement of the GQAS.

### 2011–12 Financial Resources (\$ thousands)

Planned Spending	Total Authorities	Actual Spending
10,038	9,356	10,214

### 2011–12 Human Resources (FTEs)

Planned	Actual	Difference
90	86	(4)

Expected Result	Performance Indicator	Target	Actual Results
Research and development on grain quality and grain safety to support and improve Canada's GQAS	Assessment of grain quality and grain safety research undertaken, sponsored, and/or promoted by the CGC	"Excellent" on a scale of excellent, good, fair or poor	Grain quality and grain safety research undertaken, sponsored and/or promoted by the CGC was assessed as "excellent".

## Performance Summary and Analysis of Program Activity

During 2011-12, the CGC's GRL successfully undertook, sponsored and promoted research related to grains as mandated by the CGA. The GRL completed several research projects within cost and timelines and successfully met the milestones of numerous other ongoing research projects. While there were some project variances, these are considered normal within a research environment. Close cross-divisional collaboration between the GRL's Crops Section and the Technologies Section along with the CGC's Industry Services Division is critical to successfully achieve results associated with the grain quality research program and to successful delivery of the CGC's strategic outcome. Improved collaboration and coordination of research efforts both internally and with external research partners ensured that the GRL was able to adapt research priorities to emerging challenges and use resources effectively. This has been particularly



important in the grain safety and plant biotechnology research areas. In addition, the GRL continued to successfully conduct research as recommended by the Western Standards Committee and the Eastern Standards Committee in support of grade specifications and the grading system and provided information to facilitate Committee recommendations. As such, the 2011-12 performance results for the grain quality research program activity were assessed as “excellent”.

During 2011-12, the GRL produced its first issue of *Harvest Science: A grain science and technology newsletter for producers*.<sup>xii</sup> The report focused on how fusarium research has helped keep wheat grading tolerances relevant, accurate and sound, and what can be done on the farm to prevent the development of ochratoxin A in stored grain. It also included a photo-essay to show how a grain sample sent to the CGC’s Harvest Sample Program contributes to important grain safety research. In addition, *Harvest Science* provided information summaries, results and plans going forward for the laboratories in the GRL’s Crops Section and Technologies Section. The information included in the *Harvest Science* report augments the performance information provided in this document.<sup>11</sup>

The GRL’s Crops Section<sup>xiii</sup> scientifically assessed the quality of the 2011 Canadian grain harvest, assessed how grading factors affect end-use qualities, researched new uses for Canadian grains, and assessed new and improved methods for evaluating and measuring end-use quality factors for all grains. In addition, new varieties were assessed for quality as part of the variety registration process. This research continues to be a significant factor in permitting effective marketing of Canadian grain in the interests of producers and the Canadian grain industry and continues to facilitate end-use diversification of Canadian grains. Research areas include analytical services, applied barley research, Asian end products and wheat enzymes, basic barley research, bread wheat research, durum wheat research, milling research, oilseeds monitoring, oilseeds research, and pulse research. The following are some of the Crops Section research highlights during 2011-12:

- The GRL received and analyzed 8,750 producer samples to determine the year’s crop quality as part of the Harvest Sample Program.<sup>xiv</sup> The Harvest Sample Program is voluntary and provides Canadian grain producers with an opportunity to receive a free, unofficial CGC grade and quality results. The samples submitted during the Harvest Sample Program are used to determine the quality of harvest and provide buyers from all over the world information on the quality of Canadian grain. Harvest and Export Quality Reports<sup>xv</sup> were published on Eastern and Western Canadian wheat, Western Canadian

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<sup>11</sup> Please note that information in the *Harvest Science* is based on a crop year which runs from August 2010 to July 2011 as opposed to a fiscal year basis (April 2011-March 2012).

malting barley, Western Canadian canola, Western Canadian flaxseed, Western Canadian pea beans, Western Canadian chick peas, Western Canadian lentils, Western Canadian mustard, Western Canadian peas, Canadian food-type soybeans and Canadian non-food grade soybeans.

- Efforts are ongoing to evaluate how grain grading factors affect end-use qualities and to provide a source of information to assist in determining if changes are needed to grading factors to reflect processing needs or to protect the quality reputation of Canadian grain. During 2011-12, research was undertaken in durum wheat to investigate the relationship between fusarium damaged kernels that contained no detectable deoxynivalenol (DON), and end-use processing and product quality. The effect of damaged kernels on end-use pasta quality was minor, although speck counts in pasta increased.
- Research continued on emerging quality issues and new end-use quality traits to meet changing producer, industry, and customer demands and to facilitate the end-use diversification of Canadian grains. For example, a study was completed to determine effects on noodle quality of replacing mung bean starch with pea starch. Results were promising and could provide an opportunity for increasing Canadian feed pea utilization.
- Efforts are ongoing to develop and refine measurement protocols to support and enhance standards associated with the Canadian grain grading system and determination of end-use quality. During 2011-12, research was undertaken in malting barley to assess the relationship between non-starch carbohydrates (arabinoxylans) and beer quality. Excess non-starch carbohydrates in malting barley may cause filtration problems in the brewing process and potential hazes in beer.
- Quality evaluation of new breeders' lines was carried out to determine the lines that meet the quality guidelines and needs of the class for wheat, barley, and canola. GRL personnel interpret quality data based on their intimate knowledge of changes in world processing technology and market needs to ensure that new varieties do not present a threat to Canada's GQAS. This third party unbiased information is a key component of the CFIA registration process for new varieties. Approximately 180 wheat and 115 malt barley breeders' lines were assessed and reported on a timely basis. In addition, the CGC assessed approximately 2500 canola breeders' samples by near-infrared (NIR) technology for oil, protein and glucosinolate content, and complete fatty acid composition by gas chromatography. GRL staff also recommended changes in quality targets to breeders, as appropriate, on the basis of discussions with grain processors and buyers in North America and overseas.

The GRL's Technologies Section<sup>xvi</sup> continued efforts to study and develop technologies and methods to assess the quality and safety of Canadian grains. Research efforts are aimed at developing new and improved methods for evaluating and measuring grain quality and grain safety to increase efficiency, reduce costs and enhance the testing capabilities of the CGC and the Canadian grain industry. Research areas include grain biotechnology research, image analysis, microbiology, spectroscopy, trace elements, trace organic analysis, variety identification monitoring, and variety identification research. The following are some of the Technologies Section research highlights during 2011-12:

- Continued collaborative research with AAFC and the grain industry in mycotoxins (ochratoxin A) focusing on mycological studies and storage and conveyance sampling research. Research was conducted to investigate the distribution of ochratoxin A in bulk samples to understand the need for representative sampling. In addition, the CGC continued to provide ongoing monitoring results for ochratoxin A to Health Canada. These efforts support CGC grain safety assurances and the supply of safe grain for Canadians as well as international consumers.
- In collaboration with AAFC and grain industry partners, the CGC is undertaking research to evaluate the micro-organism load on grains. Part of this study includes evaluating the affect of harvest timing and harvest practices on common pathogens in malting barley and their relationship with end-use quality.
- Evaluated the use of hyperspectral imaging technology to assess alpha-amylase levels in wheat kernels as an indicator of undesirable pre-harvest sprouting in wheat.
- Research efforts continued on wheat and barley DNA and protein fingerprinting. The aim is to develop tests for identifying and quantifying varieties of grains in shipments in order to develop the capacity for identifying multiple variety composition and enable segregation of variety-specific shipments.
- Collaborative research with AAFC and Pulse Canada continued with respect to spatial and temporal studies for heavy metals in soybeans. The project is aimed at identifying crop districts producing elevated levels of heavy metals (e.g. cadmium), provide background levels of other trace elements of issue in grain safety (e.g. boron), and identify/develop non-accumulating heavy metal varieties.
- Research continued in pesticide residue analyses. This research focused on improving analytical throughput and improving method limits of detection. Research is required to meet the challenges of changing grain safety maximum limits in grain and the development of new sophisticated instrumental technology.

## Lessons Learned

The GRL uses a range of tools to ensure the consistency and reliability of results from its testing. Tools include proficiency programs, professional calibrations of equipment and daily running of check samples. During 2011-12, the GRL participated in 15 proficiency programs involving numerous tests. Test scores were consistently satisfactory but whenever a score tended towards non-compliance corrective actions were taken immediately.

During 2011-12, significant progress was made towards ISO/IEC 17025 accreditation for certain methods in the GRL's laboratory testing environment. The scope for this accreditation will include four methods for mycotoxin, trace elements and genetically modified grain analysis. It is anticipated that accreditation will be achieved during 2012-13. ISO/IEC 17025 accreditation will give customers increased confidence in the GRL grain safety processes and testing methods that support Canada's GQAS.

GRL staff will continue to attend scientific conferences and technical missions to facilitate assessment of current grain quality methods and technologies and the adequacy of Canada's GQAS. Information gathering activities as well as client feedback will continue to be used to identify research priorities to build upon and strengthen the existing GQAS to ensure continued relevance. An ongoing challenge to the Grain Quality Research Program is the resources required to respond to increased testing and monitoring requirements under the Quality Assurance Program. The increased demand for testing and monitoring has potential to limit resources available for fundamental and/or long term research.

## Program Activity: Producer Protection Program

### Program Activity Descriptions

The CGC is mandated to serve producer interests by upholding the *CGA* and as such has implemented a number of programs and safeguards to ensure the fair treatment of Canadian grain producers. These include the licensing and security program, allocation of producer cars for producers and producer groups that wish to ship their own grain, and producer liaison measures including a grain grade appeal system. In addition, the CGC collects and updates grain quality data and grain handling information to facilitate producer sales and marketing decisions.

#### 2011–12 Financial Resources (\$ thousands)

Planned Spending	Total Authorities	Actual Spending
3,857	3,933	3,947

#### 2011–12 Human Resources (FTEs)

Planned	Actual	Difference
34	33	(1)

Expected Result	Performance Indicator	Target	Actual Results
Producer satisfaction with the grain handling system	CGC response to producer complaints	Zero unresolved or unaddressed complaints	Zero

## Performance Summary and Analysis of Program Activity

Producer support programs include mediating and/or arbitrating producer complaints concerning transactions with licensed grain companies, reinspection of samples on producer request, and investigation of quality and dockage complaints. In addition, licensed elevators and grain dealers are required to post security with the CGC to cover their liabilities to producers in the event of a company default. During 2011-12, the CGC responded to numerous inquiries and complaints from producers, which focused primarily on contract disputes between producers and licensees, grading disputes, nonpayment/slow payment to producers, inquiries related to shrinkage and tariff deductions, and complaints regarding proper issuance of documents. Grain producers submitted 224 samples to the CGC for quality determination under “subject to inspector’s grade and dockage”. This service allows producers to ask the CGC to determine grade and dockage and

make a binding decision in the event there is a disagreement upon delivery at a licensed primary elevator.

The CGC responded to all producer complaints related to compensation received for the quality and/or quantity of grain delivered within the licensed grain handling system and all producer concerns regarding fair payment. The CGC was successful in meeting the program activity target of zero unaddressed complaints with respect to the producer protection programs administered by the CGC. During 2011-12, the CGC fully implemented a complaints protocol that outlines the process to be followed when responding to producer complaints and investigating violations of the *CGA*. The protocol acts as a guide to ensure the CGC responds appropriately and consistently to all producer concerns.

Communication activities continued to play a key role in promoting the activities and services provided under the Producer Protection Program. As part of its communications activities, the CGC enhanced services to francophone producers in both Quebec and the Prairie provinces and expanded its exhibition program by attending Expo Champs in Saint-Liboire, Quebec. As well, the CGC attended smaller regional trade shows, including: the Morden Corn and Apple Festival in Morden, Manitoba, the Saskatchewan Association of Rural Municipalities show in Saskatoon, Saskatchewan, the Cattlemen's Coral/Crop Visions in Lloydminster, Saskatchewan, St. Jean Farm Days in Saint-Jean-Baptiste, Manitoba, the Grain Millers Harvest Showdown in Yorkton, Saskatchewan, and the Brokenhead River Agricultural Conference in Beausejour, Manitoba. A total of 3,994 producers interacted with CGC officials through its trade exhibition program. A number of issues were discussed with producers, such as the CGC Licensing Program, services available for resolving grading disputes, the Harvest Sample program, possible changes to CGC user fees and the *CGA*, and potential impacts with respect to changes to the Canadian Wheat Board.

The CGC remains committed to ensuring that adequate notice is given to producers when grain varieties are deregistered. Growing registered grain varieties helps maintain Canada's reputation for marketing high quality grain and helps preserve access to key international markets for Canadian grain. In addition, the CGC continued to collect and update statistics<sup>xvii</sup> on grain quality and grain handling and made it available to producers and other interested parties to facilitate producer sales and marketing decisions.

As of March 31, 2012, the CGC had issued licences for 345 primary elevators, 44 process elevators, 15 terminal elevators, 13 transfer elevators, and 73 grain dealers. The CGC continues to investigate known unlicensed companies to determine if they require licensing under the *CGA*. In cases where the CGC has determined a licence is required, the licensing process has been initiated. During 2011-12, the CGC completed the process of reviewing the classification of each

licensee, to ensure consistent application of the *CGA* and the *Canada Grain Regulations* so that producers understand their rights and protections, licensees understand their responsibilities, and similar companies experience similar regulatory requirements. Licence reclassification, where required, has been completed and all licensees are classified correctly.

During 2011-12, financial statements from all licensees were reviewed and eighty licensees were audited by the CGC. The CGC continued to refine its processes for reviewing and monitoring licensees, scheduling audits, and for determining other courses of action. During 2011-12, CGC staff responded to all known instances of licensing non-compliance. There was one licensee that failed to meet producer payment obligations. Eligible producers received 100 percent compensation for the amount they were owed through the security posted with the CGC.

The CGC has sole responsibility for the allocation of producer cars. During 2011-12, the CGC continued to work closely and cooperatively with the Canadian Wheat Board, grain companies, and the railways in an effort to ensure that producer car orders are filled in a timely manner. The CGC received and processed applications from 14,300 producers for producer cars and responded to all complaints with respect to administration of the allocation of producer cars. The CGC also implemented a new producer car software application and producer car database to assist with data management and reduce the reliance on printed reports.

## Lessons Learned

The CGC continually strives to improve its programs and activities aimed at facilitating fair treatment of producers within the licensed grain handling system. The CGC will continue to work closely with officials from Agriculture and Agri-Food Canada and other departments and agencies, with respect to potential amendments to the *CGA* and *Canada Grain Regulations* to ensure the CGC's legislation, programs, and services continue to meet the evolving needs of producers and the grain industry.

## Program Activity: Internal Services

### Program Activity Descriptions

Internal Services are groups of related activities and resources that are administered to support the needs of programs and other corporate obligations of an organization. These groups are: Management and Oversight Services, Communications Services, Legal Services, Human Resources Management Services, Financial Management Services, Information Management Services, Information Technology Services, Real Property Services, Materiel Services, Acquisition Services, and Travel and Other Administrative Services.

#### 2011–12 Financial Resources (\$ thousands)

Planned Spending	Total Authorities	Actual Spending
12,761	14,091	13,721

#### 2011–12 Human Resources (FTEs)

Planned	Actual	Difference
114	116	2

## Performance Summary and Analysis of Program Activity

Internal Services include only those activities and resources that apply across an organization and not those provided specifically to a program. The CGC does not have formal expected results, performance indicators and targets for this program activity. However, because internal services are enabling activities, success can be measured by the CGC's ability to meet the expected results of its strategic outcome and other program activities. Performance can also be measured by tracking activities and results against the goals of various government-wide initiatives.

During 2011-12, the CGC developed action plans for all areas of management based on recommendations received in the Round VIII Management Accountability Framework (MAF) assessment. The CGC remains committed to continuous improvement in line with the key elements of MAF Round VIII.

The CGC's Finance Division supports Canadians through the provision of Financial Management Services to facilitate the delivery of the CGC's strategic outcome and to support Government of Canada initiatives to strengthen accountability and transparency. During 2011-12, the CGC implemented quarterly reporting as directed in the recent amendments to the *Financial Administration Act* and described in the Treasury Board Accounting Standard 1.3. In



addition, the CGC continued to implement Treasury Board's *Policy on Internal Controls*. The objective of the policy is to adequately manage risks related to the stewardship of public resources through effective internal controls, including internal controls over financial reporting. Again in 2011-12, the CGC's External Auditors provided an unqualified audit opinion on the CGC's financial statements.

A skilled and motivated workforce is critical to the CGC for delivering its services to Canadians. During 2011-12, the CGC continued efforts to refine its integrated people and business planning (IPBP) and Performance Development and Achievement Program (PDAP) processes that link people management to the CGC's vision, goals and objectives, strategic plan and budgetary resources. A quarterly tracking tool was introduced for the monitoring and tracking of People Plans throughout the year. This tool facilitates review of the status of planned activities and identification of new activities not in the initial People Plan. In September 2010, the Canadian Human Rights Commission (CHRC) completed an audit of the CGC. During 2011-12, the CGC focused on three key areas that were identified in the CHRC Employment Equity Report<sup>xviii</sup> as requiring attention. A focus on these areas will help ensure that all current and prospective employees have equitable opportunities and can enjoy a fair, positive and respectful workplace free of discrimination and harassment. In June 2010, the Public Service Commission (PSC) completed a staffing audit of the CGC and an action plan was developed to address the recommendations. During 2011-12, the CGC made significant progress on all of the recommendations from the PSC report. In addition, implementation of the CGC Integrated Conflict Management System (ICMS) continued and training was provided for managers and employees in support of a CGC culture that promotes effective communication and management of conflict.

## Section III: Supplementary Information

### Financial Highlights

#### Condensed Statement of Financial Position

As at March 31, 2012 (\$ thousands)

	% Change	2011-12	2010-11
Total assets	1.3	12,765	12,603
Total liabilities	-9.2	17,327	19,084
Equity of Canada	29.6	(4,562)	(6,481)
Total	1.3	12,765	12,603

#### Condensed Statement of Operations

For the year ended March 31, 2012 (\$ thousands)

	% Change	2011-12	2010-11
Total expenses	2.7	81,194	79,029
Total revenues	8.6	83,146	76,527
Net cost of operations		(1,952)	2,502

#### Assets

Total assets were \$12.8 million at the end of 2011-12, an increase of \$0.2 million (1.3 percent) over the previous year's total assets of \$12.6 million. Tangible capital assets represented \$6.2 million (48.9 percent), accounts receivable represent \$6.3 million (49.6 percent) and other assets represent \$0.2 million (1.5 percent).

#### Liabilities

Total liabilities were \$17.3 million at the end of 2011-12, a decrease of \$1.8 million (9.2 percent) over the previous year's total liabilities of \$19.1 million. Employee severance benefits represented the largest portion of liabilities at \$11.3 million (65.0 percent) of total liabilities. Accounts payable (including salaries, vacation and overtime) represented \$5.9 million (34.2 percent) while deferred revenue made up \$0.1 million (0.8 percent) of total liabilities.

Budget 2011 announced the elimination of the ongoing accumulation of severance benefits. As such, the CGC amended its accounting policy for employee severance benefits to be based on the calculation of the actual severance liability owed to each employee.

### **Expenses**

Overall, total expenses for the CGC were \$81.2 million in 2011-12, an increase of \$2.2 million (2.7 percent) over the previous year's expenditures of \$79.0 million. Salaries and benefits comprised \$64.7 million (79.7 percent) of expenses, while operating expenditures (including rent, professional and special services, travel, amortization and repairs) comprised \$16.5 million (20.3 percent) of expenses. Expense distribution was consistent with the previous year. The CGC did not initiate any significant program changes during 2011-2012.

### **Revenues**

Overall, the CGC's total revenues totalled \$83.1 million, an increase of \$6.6 million (8.6 percent) over the previous year's total revenues. Revenues were split between appropriations dollars received and service fees generated. Service fees including contract revenue increased by \$2.3 million (5.2 percent) over the previous year. Appropriation ad-hoc funding increased by \$4.3 million (13.5 percent) as a result of changes in the composition of the CGC's funding mix. This expenditure framework was frozen at current planned expenditures as per Budget 2010. Access to accumulated surplus was reduced by \$2.9 million (25.4 percent). With a consistent expenditure framework and less accumulated surplus, the CGC required an increase in its ad hoc appropriations \$30.2 million in 2011-12 from \$26.0 million in 2010-11.

## **Financial Statements**

Fiscal year 2011-12 CGC audited financial statements can be accessed using the following link: <http://www.grainscanada.gc.ca/cgc-ccg/cr-rm/crm-mrm-eng.htm>. Once again, the CGC received an unqualified audit opinion of its annual financial statements.

Audited financial statements are prepared in accordance with Section 6.4 of the Treasury Board of Canada's policy on special revenue spending authorities.

## List of Supplementary Information Tables

All electronic supplementary information tables listed below for the *2011–12 Departmental Performance Report* can be found on the CGC's website.

- ▶ Green Procurement (<http://www.grainscanada.gc.ca/cgc-ccg/cr-rm/dpr-rmr/2012/gp-ae-eng.htm>)
- ▶ Internal Audits and Evaluations (<http://www.grainscanada.gc.ca/cgc-ccg/cr-rm/dpr-rmr/2012/ia-vi-eng.htm>)
- ▶ Response to Parliamentary Committees and External Audits (<http://www.grainscanada.gc.ca/cgc-ccg/cr-rm/dpr-rmr/2012/pcea-cpav-eng.htm>)
- ▶ Sources of Respendable Revenue (<http://www.grainscanada.gc.ca/cgc-ccg/cr-rm/dpr-rmr/2012/srnr-srd-eng.htm>)
- ▶ User Fees Reporting (<http://www.grainscanada.gc.ca/cgc-ccg/cr-rm/dpr-rmr/2012/uf-fu-eng.htm>)

## Section IV: Other Items of Interest

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## Endnotes

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- <sup>i</sup> CGC audited financial statements, <http://www.grainscanada.gc.ca/cgc-ccg/cr-rm/crm-mrm-eng.htm>
- <sup>ii</sup> *Canada Grain Act*, <http://www.grainscanada.gc.ca/legislation-legislation/lapm-mlep-eng.htm>
- <sup>iii</sup> Quality assurance program, <http://www.grainscanada.gc.ca/quality-qualite/iaqm-mrsq-eng.htm>
- <sup>iv</sup> Quantity assurance program, <http://www.grainscanada.gc.ca/quantity-quantite/iaqnm-mrsqn-eng.htm>
- <sup>v</sup> Grain quality research program, <http://www.grainscanada.gc.ca/research-recherche/iarm-mrsr-eng.htm>
- <sup>vi</sup> Producer protection program, <http://www.grainscanada.gc.ca/protection-protection/iappm-mrspp-eng.htm>
- <sup>vii</sup> CGC website, <http://www.grainscanada.gc.ca/>
- <sup>viii</sup> Additional information on the Government of Canada Outcomes is available at: <http://www.tbs-sct.gc.ca/ppg-cpr/frame-cadre-eng.aspx>. Additional information on the CGC's alignment to the Government of Canada Outcomes is available at: <http://www.grainscanada.gc.ca/cgc-ccg/cr-rm/goco-rohoc-eng.htm>
- <sup>ix</sup> Public Accounts of Canada 2011, <http://www.tpsgc-pwgsc.gc.ca/recgen/txt/72-eng.html>.
- <sup>x</sup> Western Standards Committee, <http://www.grainscanada.gc.ca/gscommittee-comiteng/wgsc-cnco-eng.htm>
- <sup>xi</sup> Eastern Standards Committee, <http://www.grainscanada.gc.ca/gscommittee-comiteng/egsc-cnge-eng.htm>
- <sup>xii</sup> Harvest Science, <http://www.grainscanada.gc.ca/hsnewsletter-sbulletin/issue-numero-01/issue-numero-01-eng.htm>
- <sup>xiii</sup> Crops Section, <http://www.grainscanada.gc.ca/cgc-ccg/grl-lrg/csm-msdc-eng.htm>
- <sup>xiv</sup> Harvest Sample Program, <http://www.grainscanada.gc.ca/quality-qualite/hsp-per/hspm-mper-eng.htm>
- <sup>xv</sup> Harvest and export quality reports on export grain, <http://www.grainscanada.gc.ca/quality-qualite/geuq-quf-eng.htm>
- <sup>xvi</sup> Technologies Section, <http://www.grainscanada.gc.ca/cgc-ccg/grl-lrg/tsm-msdt-eng.htm>
- <sup>xvii</sup> Statistics about grain in Canada, <http://www.grainscanada.gc.ca/statistics-statistiques/sim-rsm-eng.htm>
- <sup>xviii</sup> CRHC Employment Equity Report, [http://infonet.grainscanada.gc.ca/people\\_management/diversity/chrc-ccd-eng.pdf](http://infonet.grainscanada.gc.ca/people_management/diversity/chrc-ccd-eng.pdf)