



Agriculture and
Agri-Food Canada

Agriculture et
Agroalimentaire Canada



REPORT: Evaluation of the Agricultural Flexibility Fund

Office of Audit and Evaluation

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Acronyms

AAFC	Agriculture and Agri-Food Canada
AgriFlexibility	Agricultural Flexibility Fund
API	Agri-based Processing Initiative
BIXS	Beef InfoXchange System
BSKM	Building Success in Key Markets
CBAI	Canada Brand Advocacy Initiative
CCC	Canola Council of Canada
CFIA	Canadian Food Inspection Agency
DFATD	Department of Foreign Affairs, Trade and Development Canada
FPT	Federal-Provincial-Territorial
FTEs	Full-time Equivalents
GF	Growing Forward
GF2	Growing Forward 2
Gs&Cs	Grants and Contributions
IRI	Innovation from Research Initiative
LATI	Livestock Auction Traceability Initiative
LLP	Low-level Presence
MOU	Memorandum of Understanding
MRL	Maximum Residue Levels
MT	Million Tonnes
OAE	Office of Audit and Evaluation
PAA	Program Alignment Architecture
PSA	Program Sub-Activity Architecture
PT's	Provinces and Territories
REI	Renewable Energy Initiative
S&C	Salmonella & Campylobacter
TBS	Treasury Board of Canada Secretariat
TFI	Traceability Foundations Initiative

EXECUTIVE SUMMARY

Agriculture and Agri-Food Canada's (AAFC) Office of Audit and Evaluation evaluated the Agricultural Flexibility Fund (AgriFlexibility) activities undertaken between 2009 and March 31, 2014. The purpose of the evaluation was to examine the relevance and performance of the three AgriFlexibility initiatives Federal-only, Federal-Provincial-Territorial (FPT) cost-shared and Industry-led.

AgriFlexibility Background

Budget 2009, Canada's Economic Action Plan, provided a \$500 million Agricultural Flexibility Fund to AAFC to implement new agricultural initiatives from 2009-2010 through 2013-2014. AgriFlexibility was created to help the agriculture and food processing sectors adapt to pressures and improve their competitiveness. It addressed a broad range of needs, including those related to improving environmental sustainability, reducing production costs, fostering value chain innovation or sectoral adaptation, and addressing emerging opportunities and challenges.

The original \$500 million budget was divided into \$300 million for Federal-only and Industry-led initiatives and \$200 million for FPT cost-shared initiatives. Over the five-year AgriFlexibility funding period, the total actual expenditures, as of March 31, 2014, were \$227 million¹, including \$101.7 million for Federal-only initiatives, \$30.6 million for Industry-led initiatives and \$90.4 million for FPT cost-shared initiatives.

Key Findings Relevance

Many AgriFlexibility funded initiatives were developed in response to Canada's 2008 economic recession. The economic crisis brought on immediate pressures in the agriculture sector such as high input prices, low or volatile commodity prices and increasing competition and restrictions from the international marketplace. Budget 2009 provided stimulus funding during a period of high economic uncertainty facing the Canadian agricultural sector. AgriFlexibility initiatives addressed challenges, emerging opportunities and the need for innovation and reduced production costs for the sector to remain competitive nationally and internationally. The evaluation found that AgriFlexibility helped producers and agriculture associations to take proactive measures to address emerging issues and needs, which may prove beneficial to the long-term success of the agricultural sector.

Of AAFC's three strategic outcomes (2009-2010 to 2013-2014), the bulk of AgriFlexibility initiatives aligned with the two outcomes relating to an innovative (43% of program expenditures) and competitive (49% of program expenditures) agriculture, agri-food, and agri-based products sector. Program expenditures focusing on innovation and competitiveness were expected given the challenges facing the Canadian agricultural industry such as a short growing season, extreme weather variation, labour shortages, transportation delays, and strong competition from the international marketplace. Producers, processors, and suppliers needed to make effective management decisions to meet these sectoral challenges. Their ability to innovate and increase efficiency was critical to improving the competitiveness and profitability of the agriculture industry. The evaluation found that many of the initiatives funded through AgriFlexibility fostered innovation and increased competitiveness.

¹ The \$227 million includes \$4.3 million for employee benefit plan, accommodations and internal services.

The evaluation found the Federal-only, FPT cost-shared and Industry-led initiatives did not duplicate or counteract other federal programs, rather they complemented other AAFC program activities. The federal government played an appropriate and necessary role in providing a pan-Canadian approach through AgriFlexibility, as there were sector needs that the provinces and industry either would not or could not address on their own.

Performance

While some AgriFlexibility initiatives did not meet their performance targets, many had a positive impact on the agriculture and agri-food industry, and without AgriFlexibility, the industry may not have advanced as quickly or been as well-prepared for the future. The proactive approach towards food safety, traceability, market access and demand, and value chain innovation efforts has helped position the sector to address current and future trade barriers and impending regulations.

The FPT cost-shared initiatives varied widely, as some provinces and territories were better prepared to take advantage of AgriFlexibility funding than others. Some provinces that lacked pre-existing programming or available administrative resources, or those that developed initiatives with too wide a scope, found it difficult to achieve outcomes or measure impacts. While not discounting the positive contributions many of these initiatives made to the agriculture sectors of their respective provinces, most FPT cost-shared initiatives were created quickly and not designed to capture the information needed to determine how they fulfilled program objectives.

The Industry-led initiatives attempted to address areas of importance to the agricultural industry and helped to uncover areas requiring further attention. Many of the Industry-led initiatives evolved and adapted to industry changes and challenges as they materialized during AgriFlexibility. Many Industry-led initiatives made progress towards achieving their respective end outcomes.

The announcement of AgriFlexibility as part of the Government of Canada's Budget 2009, originally allocated \$500 million in funding over five years (2009–2010 to 2013–2014). The timing of this announcement came shortly after AAFC and the provinces and territories announced new programs funded under the Growing Forward framework. The provinces and territories found utilizing the funds offered by AgriFlexibility particularly challenging, as they had already committed a large portion of their budgets and resources towards the new Growing Forward programs. Some provinces were unable to match the 60/40 funding cost share requirement or to find worthwhile initiatives that were incremental and did not duplicate, overlap, or displace the new Growing Forward or their own existing provincial programs.

These implementation challenges led to increased diligence to ensure selected initiatives that received AgriFlexibility funding did not duplicate, overlap, or displace existing programs. However, the time required to perform this due diligence, in some cases, resulted in lapsed funding. On the positive side, the requirements for AgriFlexibility funding did result in a streamlined approval process for programs, which AAFC now regularly utilizes.

AgriFlexibility developed an efficient governance structure to ensure funds were dispensed to initiatives that met the funding requirements in a timely manner which included functional risk-management and control frameworks.

Ultimately, while some of the funding was reallocated to other non-AgriFlexibility programming, resulting in \$227 million of actual expenditures of the original \$500 million budgeted over five years, the flexibility in funding offered through AgriFlexibility assisted a multitude of programs

and projects in many sectors of agriculture to respond to market challenges and opportunities, and promote innovation and sectoral adaptation.

Lessons Learned

Several lessons learned were identified:

- Consultation with industry to identify gaps, imminent needs, and stakeholder engagement issues prior to full rollout can increase initiative success.
- Initiatives that target a strong existing need within industry and which are efficiently administered are most likely to be effective in their delivery.
- To assess the impact of initiatives with a broad range of activities and recipients, comparable performance measures and data collection strategies are necessary.
- Although some initiatives may not have met all of their objectives, some additional benefits, such as increased food safety, productivity and sales were achieved by participants.
- Refining the request for proposal process and narrowing eligibility criteria can reduce administrative burden.

1.0 INTRODUCTION

This evaluation was conducted by the Office of Audit and Evaluation (OAE) as part of AAFC's Five-year Departmental Evaluation Plan (2013-2014 to 2017-2018). The evaluation fulfills the requirements of the Treasury Board Secretariat *Policy on Evaluation* (2009), which requires all direct spending programs to be evaluated. This report provides an overall analysis of the findings in relation to the core issues of relevance and performance, and lessons learned.

1.1 Evaluation Scope and Approach

In accordance with the TBS *Directive on the Evaluation Function* (2009), the evaluation examined five core issues related to the relevance and performance (effectiveness, efficiency, and economy) of AgriFlexibility. The evaluation assessed all activities, outputs and outcomes that were funded under AgriFlexibility from April 1, 2009 to March 31, 2014, as per the 2013-2014 Program Alignment Architecture (PAA) shown in Annex A.

The evaluation used a mixed-methods, non-experimental design, incorporating multiple lines of evidence, both qualitative and quantitative, to assess the program and address evaluation issues and questions. Qualitative data were used to provide context around quantitative data.

1.2 Evaluation Issues and Questions

The evaluation addressed the following issues:

Relevance

1. What were the needs addressed under AgriFlexibility initiatives?
2. To what extent are the objectives of AgriFlexibility aligned with federal government priorities and AAFC's strategic outcomes?
3. To what extent does AgriFlexibility support or inhibit other federal government programs?
4. Is the federal government's role appropriate or should these initiatives be delivered by other departments or orders of government?

Performance

5. To what extent did each AgriFlexibility initiative achieve its expected outputs and outcomes?
6. What return on investment resulted from AgriFlexibility?
7. To what extent was AgriFlexibility delivered in an efficient manner?
 - What factors supported and/or hindered efficiency?
8. What are the lessons learned in managing (implementing and delivering) AgriFlexibility?

1.3 Evaluation Methodology

1.3.1 Data Collection Methods

The evaluation used the following lines of evidence:

- a) **Financial and administrative file data** were reviewed including, but not limited to program eligibility and criteria, financial information, AgriFlexibility annual reports, audits/evaluations, bilateral agreements, contribution agreements, and performance reports. The review provided information on expenditures and program delivery that helped to assess efficiency and economy, as well as questions related to the relevance of AgriFlexibility initiatives. Over 1,700 program and project documents were reviewed as part of this evaluation.
- b) **Project file reviews** was conducted based on the information gathered through preliminary interviews and document review. Specific project files were selected based on one or more of the following criteria: priority areas, regional representation, materiality, and spread across the Department (i.e., PAA boxes), program management recommendations, results and data availability. Files for a total of 32 projects were reviewed.

For each project, files were reviewed for the following information (where available):

- a) objectives, b) budgeted/actual expenditures, c) planned/implemented activities, d) outputs produced, and e) outcomes/impacts achieved. Table 8 located in Annex B lists the specific projects for which a file review was conducted.
- c) The list of **key informant interviews** was developed in consultation with representatives from each initiative. Interviews were conducted with 33 key informants who provided their insights on AgriFlexibility, including 22 who were internal to AAFC and 11 who were external to the Department (including five representatives of other federal departments). Overall, 29 key informants participated in interviews in-person or by phone and four key informants provided written comments. Interviewees included senior management, project managers, program officers, federal and provincial collaborators, and funding recipients. Table 9 located in Annex B identifies the number of key informants by initiative and type (internal versus external). This information was used in conjunction with other lines of evidence to provide a qualitative assessment of questions related to relevance and performance. To ensure confidentiality of interviewees, no individual was identified in the evaluation.
- d) **Case studies** were conducted for a total of 18 projects. Case studies were selected in consultation with program representatives, taking into consideration the following factors: priority area, region, materiality, spread across the Department (i.e., PAA boxes), and results and data availability. Table 10 in Annex B provides the specific projects for which case studies were conducted. Each case study consisted of a review of project documents and files (proposal and progress reports), key informant interviews with stakeholders and an administrative financial review that provided information on questions related to relevance and performance.
- e) An online **survey of Livestock Auction Traceability Initiative (LATI)** recipients provided information on program need and impact. Contact information for recipients was obtained from program representatives. The final sample for the survey contained 324 potential respondents. In total, 124 responses to the survey were received. This information provided data on relevance and performance of LATI.

- f) A **return on investment** (ROI) assessment was conducted for various funded initiatives through AgriFlexibility. The ROI is a general term for the concept that any outlay of resources is assessed in terms of its return. Where the return and the resource outlay are precisely measurable, it is possible to create various efficiency and effectiveness ratios.

An initiative such as the *Agri-based Processing Initiative*, where federal funds were used to enhance the sales-economic return of private firms, provided an opportunity to measure a return on investment. Projects under this Initiative offered the most usable data for assessing the impact of AgriFlexibility funding on outcomes, primarily in production outputs and product sales, as information was available to determine the project-by-project effect of federal funding.

1.3.2 Methodological Considerations

The evaluation had two significant methodological considerations in assessing the performance of AgriFlexibility initiatives:

- a) **Limited availability of performance data to assess return on investment:** To assess the return on investment (ROI) that can be attributed to AgriFlexibility funding would have required that performance monitoring and measurement strategies be defined and established at the start of each program/initiative. The absence of such performance measures and baseline data in many cases limited the ability to measure the return on investment.

Agri-based Processing Initiative and some *Industry-led Initiatives* provided usable data to measure return on investment, especially with regards to production outputs and product sales. The majority of AgriFlexibility initiatives did not have agreements with funding recipients to collect data to measure outcomes. Some outcomes are targeted for attainment well after AgriFlexibility funding ends, as the nature of the program extends for many years and will likely be continued with other forms of funding. In some cases, it takes upwards of 10 or more years for scientific research, best management practices or other farming information to translate into economic benefits.

Given these challenges, an overall measure of the ROI of AgriFlexibility for Canada was not possible. Quantitatively measuring efficiency as defined by the TBS *Policy on Evaluation* (2009) was not possible, as it was difficult to link spending to outcomes and/or measure the outcomes achieved. As a result, data from interviews and case studies were used to develop a qualitative assessment.

- b) **Attribution of results:** Since AgriFlexibility was a one-time five-year funding investment, baseline scenarios were not established and performance data were not fully monitored and collected. Many AAFC programs were underway (i.e., Growing Forward programming) and were expected to influence the agriculture and agri-food sector before the beginning and duration of AgriFlexibility. Incremental impacts or attribution of funding of AgriFlexibility programs on the agriculture and agri-food sector could not be fully assessed.

To achieve more robust conclusions, the evaluation focused on those activities and outputs that demonstrated the range of impacts given the diversity of sector needs and that were working towards achieving AgriFlexibility's expected outcomes. Many of the results reported in the report are outputs, not outcomes.

2.0 OVERVIEW OF AGRIFLEXIBILITY

Forming part of the Government of Canada's Economic Action Plan, Budget 2009 allocated \$500 million in funding over five years (2009–2010 to 2013–2014) to AgriFlexibility. The objectives of AgriFlexibility were to improve competitiveness by helping the sector adapt to pressures through non-business risk management measures that reduce costs of production, improve environmental sustainability, promote innovation and sectoral adaptation, and respond to market challenges and opportunities. Aiming to be responsive to emerging sector needs and regional diversity, AgriFlexibility supported initiatives in the following three priority areas:

- investments to help reduce production costs or improve environmental sustainability for the sector;
- investments in value chain innovation or sectoral adaptation; and,
- investments to address emerging opportunities and challenges for the sector.

2.1 AgriFlexibility Initiatives

As shown in Table 1 (below), AgriFlexibility was comprised of six Federal-only initiatives, 26 initiatives cost-shared in partnership with the provinces and territories (plus one national project), and nine Industry-led initiatives. Annex A provides more information on AgriFlexibility's placement in AAFC's Program Alignment Architecture (PAA) and an overall logic model for AgriFlexibility.

Table 1: AgriFlexibility Initiatives

Federal-only Initiatives	Cost-shared Initiatives with Provinces/Territories	Industry-led Initiatives
<ul style="list-style-type: none"> • Salmonella and Campylobacter in Broiler Chicken: Baseline Study • Livestock Auction Traceability Initiative • Building Success in Key Markets • Canada Brand Advocacy Initiative • Innovation from Research Initiative • Agri-based Processing Initiative 	<p>British Columbia</p> <ul style="list-style-type: none"> • Ranching Task Force • Tree Fruit Market and Infrastructure Innovation <p>Alberta</p> <ul style="list-style-type: none"> • Emerging Environmental Opportunities • Crop Pest Surveillance System • New Products Market Initiative • Traceability Audit Pilot <p>Saskatchewan</p> <ul style="list-style-type: none"> • Commercialization of Rapid Wheat DNA Testing <p>Manitoba</p> <ul style="list-style-type: none"> • Bifrost Excess Water Management • Manure Management Financial Assistance Program • Food Development Centre <p>Ontario</p> <ul style="list-style-type: none"> • Value Chain and Sector Information Sharing Traceability Initiative • Water Resource Adaptation Management <p>Quebec</p> <ul style="list-style-type: none"> • Initiative Canada-Québec de soutien au développement de l'agriculture en Abitibi-Témiscamingue • Initiative Canada-Québec de soutien à la transformation alimentaire 	<p>Canola Council of Canada</p> <ul style="list-style-type: none"> • Grow Canola 2.105 • Canola Market Access Plan 2015 <p>Canadian Animal Health Coalition</p> <ul style="list-style-type: none"> • Addressing Domestic and International Market Expectations Relative to Farm Animal Welfare <p>Canadian Sheep Federation</p> <ul style="list-style-type: none"> • National Transmissible Spongiform Encephalopathy Eradication Plan <p>Canadian Cattlemen's Association</p> <ul style="list-style-type: none"> • Facilitating Information Exchange Across the Beef Value Chain <p>Pulse Canada</p> <ul style="list-style-type: none"> • Innovation Solutions to Transportation Challenges in the Canadian Pulse and Special Crop Industry • Pulse Health, Innovation and Commercialization Project • Enhancing Farmer Profitability: Developing Canada's Environmental Brand through

	<ul style="list-style-type: none"> • Initiative Canada-Québec d'appui à la Plateforme en agriculture biologique • Initiative Canada-Québec d'appui aux services-conseils • Initiative Canada-Québec d'appui à la modernisation • Initiative Canada-Québec d'accompagnement des secteurs dans leur développement <p>Nova Scotia</p> <ul style="list-style-type: none"> • NS Atlantic Centre Agricultural Innovation Initiative • Collaborate to Compete • New Growth Opportunities <p>New Brunswick</p> <ul style="list-style-type: none"> • Agriculture Futures Initiative <p>Prince Edward Island</p> <ul style="list-style-type: none"> • Renewable Energy Initiative • Bioeconomy Crop Initiative <p>Newfoundland</p> <ul style="list-style-type: none"> • Foreign Animal Disease • Ag Research Council <p>National</p> <ul style="list-style-type: none"> • National Meat Hygiene Project 	<p>Collaboration with the Food and Bioproducts Industries on Sustainability</p> <ul style="list-style-type: none"> • Competitiveness in the Pulse and Special Crops Sector: A Proactive Approach to Solutions for Technical Trade Barriers
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2.2 Overview of Initiatives

The following is a summary of AgriFlexibility initiatives by objectives and activities²:

1) Federal Initiatives

The ***Salmonella and Campylobacter in Broiler Chicken: Baseline Study*** focused on gathering baseline data on the prevalence and concentration of salmonella and campylobacter bacteria. Such data were needed to develop a pathogen reduction program. The study was to provide baseline data on these bacteria in broiler chickens from production to retail and compare them to those causing illness in humans.

The ***Livestock Auction Traceability Initiative*** focused on ensuring the integrity of a national livestock traceability system by facilitating the recording of the time and place of off-farm animal movements. The program provided non-repayable grants and contributions for capital investments to assist in the alteration of animal handling structures (infrastructure, building modifications, and technology) to improve traceability and implement animal movement recording and reporting.

Building Success in Key Markets (BSKM) aimed to strengthen Canada's ability to seize opportunities in priority markets by providing additional resources to overcome market access challenges and building stronger relationships with key countries. The BSKM provided AAFC with incremental capacity to address significant market access issues in priority markets. A number of targeted activities under the BSKM aimed to strengthen the capacity to negotiate free trade agreements and increase support for work related to international standard setting.

² Annex A, Figure 2 provides an overview of AgriFlexibility's logic model with associated outputs and outcomes. AAFC AAC-#103145393-v1A-OAE-EV-Evaluation_of_AgriFlexibility_Report;231556.DOCX

The BSKM supported the development of a low-level presence strategy, as well as to support the research work from the Value Chain Roundtables related to the development of strategies to respond to market access issues. It established three new Canadian trade commissioners positions to deepen relationships with key trading partners and supported the development of specific projects through the use of existing Memorandum of Understanding designed to enhance engagement and facilitate long-term market opportunities.

The **Canada Brand Advocacy Initiative** aimed to enhance the food and agriculture sector's competitiveness by increasing consumer demand for Canadian products in select markets where the competitive challenges and opportunities for growth were greatest. The Initiative used market research to identify four markets, established customized marketing strategies and then implemented supporting consumer-oriented promotional activities. Although considered a Federal Initiative, the Program made extensive use of industry and in-market partnerships to deliver activities designed to position Canada as the country of choice for imported foods.

The **Innovation from Research Initiative** aimed to create new and incremental research leading to new commercial activities that would benefit Canadian farmers to strengthen the growing multidisciplinary nature of agricultural science. The Initiative undertook applied research projects that responded to market threats and/or took advantage of emerging market opportunities. Annex C provides a breakdown of the commodities that received funding for this Initiative.

The **Agri-based Processing Initiative** aimed to support existing agri-processing companies or co-operatives to adopt new-to-company manufacturing technologies and processes. The program provided repayable contributions to purchase and install machinery and equipment in Canadian facilities, to adopt new technologies and/or processes, to introduce new products and to contract external expertise for services and training. Annex D illustrates the various commodities types that received funding through agri-processors.

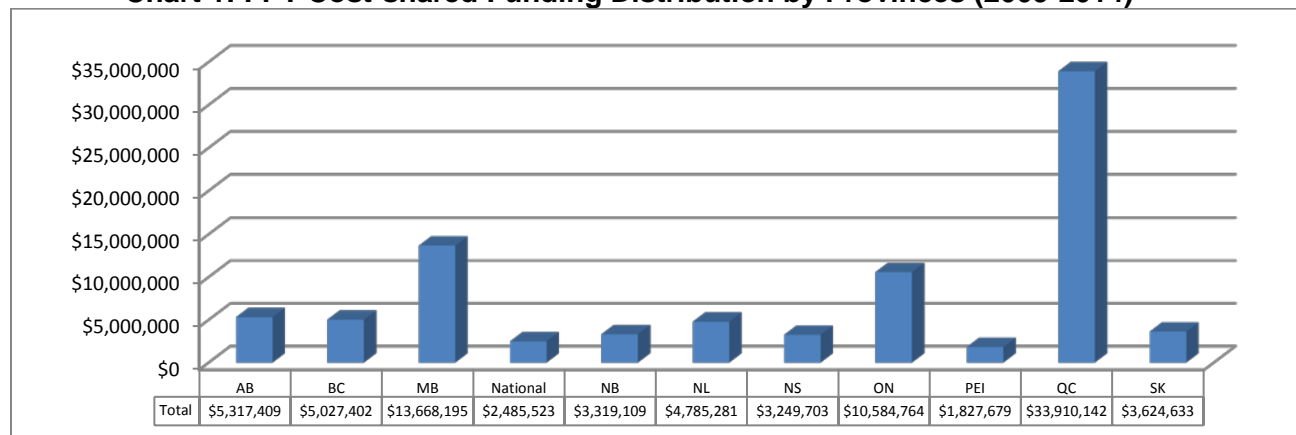
2) FPT Cost-shared Initiatives (cost-shared on a 60:40 basis)

Provinces and territories undertook 27 initiatives that were to be aligned with AgriFlexibility's objectives. Of the 27 approved initiatives, four were to reduce production costs or improve environmental sustainability, five were to support value chain innovation or sectoral adaptation, and 18 (including one national initiative) were to address emerging opportunities and challenges.

Under FPT cost-shared initiatives, the allowable maximum was \$10 million per initiative per year for any number of projects over the five years. If an initiative generated a profit or an increase in value, the recipient was required to repay the contribution or to share the resulting financial benefits with the federal and provincial governments commensurate with its share of the risk.

The 27 FPT cost-shared initiatives responded to emerging sector needs in regions across the country. Chart 1 illustrates the funding received by the various provinces for FPT cost-shared initiatives. Quebec (almost \$34 million), Manitoba (\$13.6 million) and Ontario (\$10.5 million) received 66 per cent FPT program funding.

Chart 1: FPT Cost-shared Funding Distribution by Provinces (2009-2014)³

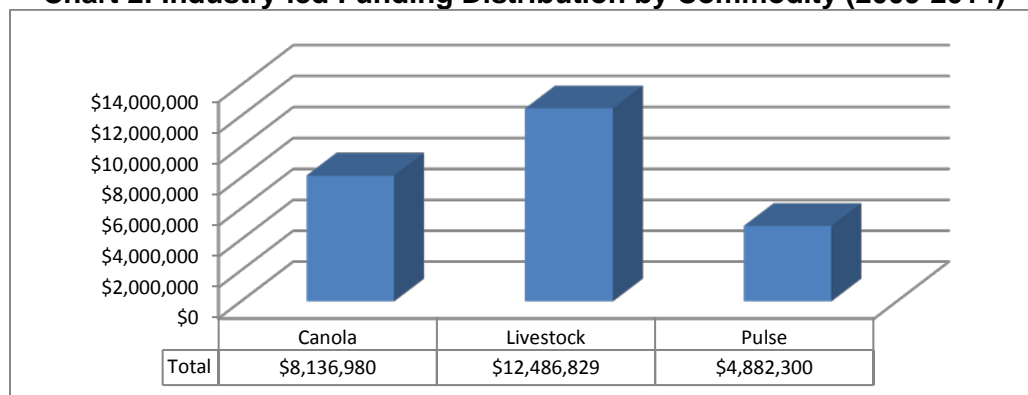


3) Industry-led Initiatives

Funding was provided to commodity associations to improve access to markets or the marketability of their commodity, through developing plans to respond to barriers or to improve public perceptions (i.e. animal health codes) and strengthening supply and value chains (i.e., transportation). Projects varied significantly, but were consistent with at least one of AgriFlexibility's three strategic outcomes.

Chart 2 shows the funding distribution of the nine Industry-led programs by commodity.

Chart 2: Industry-led Funding Distribution by Commodity (2009-2014)⁴



2.3 Program Resources

As shown in Table 2, the original budget allocation for AgriFlexibility was \$500 million, including \$300 million for Federal-only and Industry-led initiatives and \$200 million for FPT cost-shared initiatives. Financial resources were realigned among other AAFC program activities and the remaining financial resources available for AgriFlexibility initiatives were \$322.7 million, including the following:

³ AgriFlexibility Annual Reports and Monthly Reports - based on 2013-2014 expenditures.

⁴ AgriFlexibility Annual Reports and Monthly Reports – based Agricultural Flexibility Fund budgeted authorities, actual expenditures may vary.

- \$190.4 million for Federal-only and Industry-led initiatives; and
- \$132.2 million for FPT cost-shared initiatives.

Table 2: AgriFlexibility Realigned Funding (million)⁵

Initiatives	Federal-only and Industry-led Initiatives	FPT Cost-shared Initiatives	Total
Original Funding	\$300	\$200	\$500
Realignment of Funding			
Slaughter Improvement Program (Budget 2010)	\$10	-	\$10
Abattoir Competitiveness Program / Over Thirty Months Payment Program (Budget 2010)	\$25	-	\$25
Slaughter Waste Innovation Program (Budget 2010)	\$40	-	\$40
Agricultural Innovation Initiative (Budget 2011)	\$30	\$20	\$50
Plum Pox Management Initiative (Budget 2011)	\$4.6	\$3.1	\$7.7
Excess Moisture and Flooding Assistance Initiative (Agricultural Disaster Relief Program)	-	\$44.6	\$44.6
<i>Subtotal</i>	<i>\$109.6</i>	<i>\$67.6</i>	<i>\$177.3</i>
Total remaining for AgriFlexibility initiatives	\$190.4	\$132.3	\$322.7*
* Totals may not sum due to rounding.			

As shown in the following Table 3, over the five-year AgriFlexibility funding period, planned and total expenditures were the following:

- Planned expenditures were \$293.1 million, which represents 91 per cent of \$322.7 million (Table 2) remaining;
- Actual total expenditures, as of March 31, 2014, were \$227⁶ million, including;
 - \$101.7 million for Federal-only initiatives;
 - \$30.6 million for Industry-led initiatives; and
 - \$90.4 million for FPT cost-shared initiatives; and
- Actual expenditures of \$227 million, represented 77 per cent of the planned expenditures of \$293.1 million; and
- Actual expenditures of \$227 million also represented 70 per cent of the \$322.7 million (Table 2) remaining after the budget reallocations.

⁵ AgriFlexibility financial overview final June 2014 (realigned from the initial original funding).

⁶ \$4.3 million were used for Employee Benefit Plan/Accommodations/Internal Services.
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Table 3: AgriFlexibility Expenditures, 2009–2010 to 2013–2014 (million)⁷

Initiative	Expenditures		
	Planned	Actual*	Variance
Federal-only and Industry-led Initiatives			
Livestock Auction Traceability Initiative	\$16.9	\$11.3	(\$5.6)
Building Success in Key Markets*	\$19.6	\$8.8	(\$10.8)
Canada Brand Advocacy Initiative	\$32.0	\$21.6	(\$10.4)
Innovation from Research Initiative	\$19.6	\$18.4	(\$1.2)
Agri-based Processing Initiative	\$40.0	\$39.5	(\$0.5)
Salmonella and Campylobacter Baseline Study	\$2.2	\$2.1	(\$0.1)
Industry-led Initiatives	\$34.1	\$30.6	(\$3.5)
FPT Cost-shared Initiatives	\$128.6	\$90.4	(\$38.8)
Employee Benefit Plan /Accommodations/Internal Services		\$4.3	
Total	\$293.1	\$227	(\$66.7)*
* Totals may not sum due to rounding.			

Overall, about half (45%) of the original \$500 million funding was realigned for the six Federal-only initiatives, 27 cost-shared initiatives in partnership with provinces and territories (including one national project), and nine Industry-led initiatives.

⁷ Source: AgriFlexibility overview final June 2014.
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3.0 EVALUATION FINDINGS

This section of the report presents key findings related to AgriFlexibility. More specifically, it explores the relevance of the initiative, its effectiveness and the extent to which economy and efficiency have been realized.

3.1 Relevance of AgriFlexibility

In assessing the relevance of AgriFlexibility initiatives, the evaluation assessed: the original need; the alignment with federal priorities and the Departmental strategic outcomes; the extent to which AgriFlexibility supported other AAFC programs; and alignment with AAFC's roles and responsibilities.

3.1.1 Need for AgriFlexibility

The 2008 economic crisis was international and affected all sectors of the Canadian economy. AgriFlexibility was created in anticipation to offset losses in the agriculture and agri-food processing sectors and help the sector to adapt and improve their competitiveness following the 2008 economic recession. AgriFlexibility addressed a broad range of needs, including those needs related to improving environmental sustainability, reducing production costs, fostering value chain innovation or sectoral adaptation, and addressing emerging opportunities and challenges.

The evaluation found that there was a need for original AgriFlexibility funding in these areas and that in some cases further support would have been beneficial, especially in assisting industry to improve value chain innovation or sectoral adaptation, and addressing emerging opportunities and challenges. Funding provided through AgriFlexibility somewhat met essential or critical needs and addressed areas of concern that may become critical needs in the future. Many of the initiatives took a proactive approach in addressing emerging issues and needs, which may prove beneficial to the long-term success of the agricultural industry.

AgriFlexibility involved numerous programs and projects at the federal, provincial and industry level. Each was developed to respond to a specific industry need. The following sections discuss the relevance of the different types of AgriFlexibility initiatives based on AAFC's 2013-2014 PAA (Annex A, Figure 1), which includes:

- Addressing emerging opportunities and challenges:
 - food safety, biosecurity and traceability (under PAA 2.2: Food Safety and Biosecurity Risk Management Systems)
 - trade and market development (under PAA 2.3)
- Fostering value chain innovation or sectoral adaptation:
 - science, innovation and adoption (under PAA 3.1)
 - agri-business development (under PAA 3.2)
- Helping reduce production costs or improve environmental sustainability:
 - environmental programs (under PAA 1.2: On-Farm Action)

3.1.1.1 Need for food safety, biosecurity and traceability programs

The domestic and international marketplace is demanding assurance systems that allow for quick and easy trace-back of food products in the event of an animal health crisis or a food recall situation. Food safety systems can help to expand access to foreign markets, reduce the risk of health incidents, and minimize the impact of food safety incidents when they occur. As food production becomes more globalized, food chains become longer and food safety risks heighten. Canadian trading partners' expectations of food safety have increased in recent years, with some trading partners requiring importing countries to meet their own mandatory industry/government requirements.

In the future, as trading partners establish more stringent food safety measures as a prerequisite for access to their markets, it is essential that Canada is able to demonstrate its food safety measures in meeting or exceeding international food safety standards and requirements of key trading partners.⁸

The following programs demonstrate how AgriFlexibility responded to industry needs for enhanced food safety and traceability:

- *Salmonella and Campylobacter in Broiler Chicken Baseline Study*: Canada's future chicken exports were at risk because some importing countries were developing new standards for the prevalence and concentration of these bacteria in broiler chicken. The baseline study was necessary to develop a pathogen reduction program that would demonstrate the effectiveness of Canada's food safety measures and help protect the safety of Canadians, more than to retain export markets because Canada is still developing its exporting capabilities in this area.
- *Livestock Auction Traceability Initiative*: The Initiative allowed livestock auction facilities to buy and install technology to record individual animal movement and undertake infrastructure changes. Such changes are needed for animal health management, and once regulations are in place, to meet marketplace requirements for quick and easy trace back to source of food products in the event of an animal health crisis or a food recall.
- *National Meat Hygiene Pilot Project*: The Project was designed to address issues regarding access to slaughter capacity and trade of meat in areas underserved by federally registered establishments. CFIA worked with provincial counterparts to map out challenges preventing small meat businesses from moving from provincial to federal registration, and becoming eligible to move products either inter-provincially or to sell to major retailers who have federal meat registration as a pre-condition for sale.

3.1.1.2 Need for trade and market development programs

Canada is an important player in the international trade of agriculture and agri-food products. With exports sales of \$43.6 billion in 2012, Canada accounted for over 3.5 per cent of the total value of world agriculture and agri-food exports.⁹ While Canadian exports to market outside the United States (US) continue to grow, China overtook Canada as the world's fourth largest

⁸ AgriFlexibility: Internal request for Funds –National baseline study to determine the prevalence and concentration of Salmonella and Campylobacter in broiler chicken.

⁹ Overview of Canadian Agriculture and Agri-food System from <http://www.agr.gc.ca/eng/about-us/publications/economic-publications/alphabetical-listing/an-overview-of-the-canadian-agriculture-and-agri-food-system-2014/?id=1396889920372>

agricultural exporter.¹⁰ With growth opportunities centered in middle income countries, more sophisticated consumers and trading partners are demanding product attributes and assurances that have increased this tendency in bilateral and regional trade rule setting. This demand changed the global marketplace significantly and led to new challenges and pressures on trade and market development opportunities. For example, technological advancements and the rise in non-tariff barriers to trade have resulted in an increasingly complex and challenging international marketplace.

The following AgriFlexibility funded initiatives were intended to respond to these challenges by strengthening Canada's international approach, allowing it to take advantage of opportunities in priority markets, and increasing foreign consumer receptiveness to Canadian products:

- *Building Success in Key Markets Initiative*: This Initiative responded to the need to strengthen Canada's international approach and to seize the full extent of possibilities in priority markets.
- *Canada Brand Advocacy Initiative*: This Initiative introduced a range of targeted retail, foodservice and media-oriented promotions to positively influence both consumer purchase intent and associated supply chain development for Canadian products in four international markets.
- *Pulse Canada: Health, Innovation and Commercialization*: This industry-led Initiative addressed the need of the Canadian pulse industry to diversify its market base. The industry's heavy reliance on a small number of export markets left it exposed to unexpected changes in those markets.
- *Nova Scotia: Collaborate to Compete*: This cost-shared Initiative addressed the need for a provincial beef industry strategy that would help it build new niche markets in the face of strong competition from producers in other provinces.

3.1.1.3 Need for science, innovation and adoption programs

AgriFlexibility's *Innovation from Research Initiative*, *Agri-based Processing Initiative* and FPT cost-shared initiatives responded to a number of complex and interlinked challenges facing the agriculture and agri-food industry. These challenges include increased global demand for food and high-value foods, and pressures for greater productivity. Market demand and productivity responses are putting pressure on limited resources (arable land, water) and affecting environmental quality (soil, air, water, biodiversity). The potential pace and magnitude of climatic and technological changes, add to the complexity and opportunities for AAFC programs. The following AgriFlexibility funded initiatives responded to the need for science, innovation and adoption programs:

- *Innovation from Research Initiative*: Research initiatives responded to farmer and processor needs for the applied research to drive productivity improvements and respond to changing environmental conditions.
- *Agri-based Processing Initiative*: Due to increasing production costs and out-migration of food processors to other countries, the Initiative addressed the need to improve competitiveness of existing food processors by helping them modernize their operations.

¹⁰ Ibid.

- *Newfoundland: Agriculture Research Initiative*: This Initiative addressed the need to develop applied research capacity in Newfoundland, both public and private, to support the competitiveness of the agricultural industry.

3.1.1.4 Need for agri-business development programs

Agricultural producers and processors require the skills and supports that will enable them to use sound business practices, implement improvements, manage transformation, and respond to change in order to succeed. The following examples demonstrate the need for agri-business development:

- *Canola: Grow Canola 2.015*: This Initiative responded to canola producers' needs for up-to-date agronomic information, research results, and market information that could assist them in adopting cost-effective and environmentally sustainable practices. The project involved developing a social media platform to deliver this information to producers.
- *Alberta: Crop Pest Surveillance System*: This Initiative responded to producers' need for a centralized and coordinated approach to pest surveillance and response.
- *Quebec: Strategic Sector Development*: This Initiative met the need for greater coordination amongst organizations and businesses in specific agricultural sectors to take collective action to increase competitiveness.

3.1.1.5 Need for environmental action programs

The previous AAFC Agricultural Policy Framework (2004-2009) responded to the state of agri-environmental challenges and concluded that there was a need for better scientific understanding of the interactions between agriculture and the environment that could inform industry decision-making and national policy development.

Only a few initiatives addressed the environmental action component of AAFC's PAA. One was the Alberta's *Environmental Market Opportunities* project which addressed the need to link environmental action with potential new market access opportunities.

In terms of the overall need, AgriFlexibility funded initiatives that responded to industry needs to improve environmental sustainability, reduce production costs, foster value chain innovation or sectoral adaptation, and address emerging opportunities and challenges. The evaluation found that AgriFlexibility helped producers and agriculture associations to take proactive measures to transform their sector, which may prove beneficial to the long-term success of the industry.

3.1.2 Alignment with federal priorities and linkages with other programs

The evaluation assessed the alignment of AgriFlexibility with federal government priorities and AAFC's strategic outcomes and whether AgriFlexibility supported or inhibited other federal government programs. The evaluation found that AgriFlexibility initiatives aligned with federal government priorities and complemented other federal government programming.

As part of Budget 2009: Canada's Economic Action Plan, the Prime Minister committed to "...invest new funds over the next five years to help Canadian farmers to innovate, to increase competitiveness, and to achieve greater environmental sustainability".¹¹ Program documents

¹¹ Canada's Economic Action Plan: The Budget Speech 2009. Retrieved June 25, 2014, from <http://www.budget.gc.ca/2009/pdf/speech-discours-eng.pdf>
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show that AgriFlexibility initiatives were designed to address industry needs in three main areas that aligned with AAFC's strategic outcomes.

Table 4: Alignment of AgriFlexibility Investments with AAFC's Strategic Outcomes

Strategic Outcome (2009-2010 to 2013-2014)	AgriFlexibility Investment/Program Area
Strategic Outcome 1: An environmentally-sustainable agriculture, agri-food, and agri-based products sector	Investments to help reduce the cost of production or improve environmental sustainability: Initiatives which aimed to support the adoption of management practices that were intended to reduce the usage of agricultural inputs, lower farm production costs and/or improve agriculture's environmental performance; assist in the sustainable development of water resources for agricultural use; and accelerate the use of agricultural biomass in the emerging bioenergy sector.
Strategic Outcome 2: A competitive agriculture, agri-food, and agri-based products sector that proactively manages risk	Investments in value chain innovation or sectoral adaptation: Initiatives which were intended to help industry take advantage of opportunities across the value chain, encourage value chain innovation, and help sectors in transition enter new markets and/or commodity lines.
Strategic Outcome 3: An innovative agriculture, agri-food, and agri-based products sector	Investments to address emerging opportunities and challenges: Initiatives which were intended to help position industry to anticipate and address emerging opportunities or challenges and to maintain its competitive advantage. These include the ability of governments and industry to respond to change, whether from new technologies, new food-safety and biosecurity threats, changes in regulations or trade rules, or innovative products and processes reaching the market. ^{12 13}

The Federal-only initiatives under AgriFlexibility were directly linked to two AAFC strategic outcomes. Four Federal-only initiatives aligned with Strategic Outcome 2 for competitiveness and addressed government and AAFC priorities:

- The *Salmonella and Campylobacter in Broiler Chicken Baseline Study* supported the pathogen reduction initiative for meat and poultry, which was part of the federal government's strategy to strengthen the Canadian food safety system.
- The *Livestock Auction Traceability Initiative* supported the government's traceability and market access priorities.
- *Building Success in Key Markets* supported the government's international trade priorities, which were reflected in its commitments to strengthen the market access and deepen Canadian trade relations through the trade commissioner service and Market Access Secretariat, AAFC.
- The *Canada Brand Advocacy Initiative* supported the government's priority to improve sector competitiveness by offering a sector-wide promotion program aimed at specific consumer segments in target markets. This advocacy paved the way for coordinated and complementary industry activities focused on specific product categories to positively influence perceptions of the benefits of the high-quality food that Canada produces.

¹² Program eligibility and criteria for the contribution Program entitled Agricultural Flexibility Fund – Cost Shared Initiatives (Amended).

¹³ Ibid.

Two Federal-only initiatives aligned with AAFC's Strategic Outcome 3: An innovative agriculture, agri-food and agri-based products sector:

- The *Innovation from Research Initiative* addressed priorities for innovation in the sector and aligned with the Department's mandate for innovation: and,
- The *Agri-based Processing Initiative* aligned with the government's interest to facilitate innovation in the sector.

The FPT cost-shared initiatives under AgriFlexibility were linked to all three Departmental strategic outcomes. The Industry-led initiatives were aligned to AAFC's Strategic Outcomes 2 and 3 (2013-2014).

Overall, AgriFlexibility expended approximately the following per outcome, as of March 31, 2014:¹⁴

- Strategic Outcome 1: Environment: \$16,567,487;
- Strategic Outcome 2: Competitiveness: \$105,963,498; and,
- Strategic Outcome 3: Innovation: \$93,393,650.

3.1.2.1 Linkages to Other Programs

AgriFlexibility was designed to complement, but not overlap, duplicate, or counteract other federal programs. AAFC worked with the Treasury Board Secretariat to determine and ultimately approve initiatives that were unique and incremental. AgriFlexibility responded to pressure from other federal departments, some provinces, and industry to supplement Business Risk Management programming.

A list of Federal-only initiatives and their linkages with other programs follows:

- The *Salmonella and Campylobacter in Broiler Chicken Baseline Study* contributed to the federal government's Pathogen Reduction Initiative.
- The *Livestock Auction Traceability Initiative* complemented pre-existing traceability programs offered to producer organizations through Growing Forward (GF), and to individual businesses through provincial GF cost-shared programs. Prior to applying to the initiative, applicants were required to first attempt to obtain funding from pre-existing provincial programs (where available) and had to provide proof of their application. These precautions ensured that the initiative did not duplicate any other program.
- The various activities under *Building Success in Key Markets* were to provide incremental capacity for work in international markets of strategic importance. The sub-initiatives to enhance the *Agriculture and Food Trade Commissioner Service* and the Value Chain Roundtables were incremental to Growing Forward programming as it placed additional AAFC trade commissioners in key markets and expanded activities on priority issues under the Value Chain Roundtables.
- The *Canada Brand Advocacy Initiative* complemented work undertaken by federal trade commissioners, who participate in market access and market development activities

¹⁴ Based on AgriFlexibility monthly report financials by individual projects, March 31, 2014. Final expenditures for the Industry-led and cost-shared projects were not available.
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(including trade promotion). AAFC staff worked closely with the Canadian Tourism Commission to deliver a number of media and trade show events, activities that complemented Growing Forward programming.

- The *Innovation from Research Initiative* allowed AAFC's network of research facilities and scientific expertise across Canada to support incremental applied research in emerging areas and accelerate the uptake of new technologies at the farm level. The Initiative has been transitioned to ongoing Departmental (A-base) and Growing Forward funding sources.
- Prior to the *Agri-based Processing Initiative* (API), AAFC had few programs specifically targeting processors and not in the same capacity as API. While the initiative did not counteract or duplicate any other federal programs, key informants interviewed for this evaluation recognized that some businesses could have obtained traditional financing for their projects through other sources (e.g., financial institutions). Nonetheless, key informants indicated that API provided businesses with more favourable financing terms. For some companies, the projects represented large investments and without API funding, the projects would not have proceeded.

According to the program eligibility and criteria for the FPT cost-shared initiatives, AgriFlexibility was considered to complement (not duplicate, overlap, or displace) existing PT Growing Forward and non-Growing Forward programming when the following conditions were met:

- It accelerated the pace of activities towards reaching national outcomes;
- Eligible activities for investment were different than those of existing programs;
- It ensured equitable access to funding across the country and equitable treatment for Canadians; and,
- The program details regarding provincial/territorial programming were not available until after the AgriFlexibility initiatives were announced.^{15 16}

The due diligence processes ensured the FPT cost-shared initiatives complemented existing programs. AAFC worked with provinces to refine their proposals, as necessary, to ensure there was no duplication or displacement of federal programs. Table 11 in Annex F shows examples of how various cost-shared programs were linked with other programs.

In summary, the evaluation found the Federal-only, FPT cost-shared and Industry-led initiatives under AgriFlexibility did not duplicate or counteract other federal programs, rather many supplemented other AAFC activities.

¹⁵ Agricultural Flexibility Fund Internal Request for Funds – BSKM (amendment)

¹⁶ AgriFlexibility: Internal Request for Funds – National baseline study to determine the prevalence and concentration of Salmonella and Campylobacter in broiler chicken.
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3.1.3 Alignment with federal roles and responsibilities

The agricultural sector was facing many challenges as a result of the economic downturn in 2008. High input prices, low or volatile commodity prices and increasing competition from the international marketplace were just a few of the immediate pressures facing the sector. AAFC staff interviewed for this evaluation considered the federal government's role in AgriFlexibility appropriate in helping the agriculture and agri-food sector address challenges of innovation and increase competitiveness during Canada's 2008 economic recession.

For the FPT cost-shared initiatives, AAFC took on the role primarily of overseeing the disbursement of the funds and ensured that the agreed-upon performance reporting was adhered to by provincial departments involved in AgriFlexibility initiatives. In some cases, AAFC worked with provinces to refine their proposals as necessary to ensure there was no duplication or displacement of Federal-only initiatives. Since Industry-led initiatives, by their nature, generally had little or no federal government involvement, the federal government role was primarily to review project proposals, determine eligibility and select proposals during the approval process. Here, the federal government was seen as a funding source to help Industry-led initiatives accomplish their objectives.

AAFC collaborated with other federal departments (e.g., the Canadian Food Inspection Agency, Health Canada, and Department of Foreign Affairs, Trade and Development Canada [now Global Affairs Canada]) on some of the initiatives. Many AgriFlexibility initiatives supported cooperation between the federal, provincial/territorial governments and industry.

Based on various lines of evidence, the evaluation found that the federal government played an appropriate and necessary role in providing a pan-Canadian approach through AgriFlexibility during a challenging economic period, as there were sector needs that the provinces, territories, industry or other government departments could not address on their own.

3.2 Program Performance

3.2.1 Effectiveness

To assess effectiveness, the evaluation examined the achievement of outputs and outcomes relating to food safety, traceability, market demand, brand advocacy, value chain innovation, agri-based processing, profitability improvement and environmental sustainability. The evaluation assessed the return on investment in terms of the benefits Canada received in agricultural, environmental and economical terms relative to the funding allocated in AgriFlexibility. In terms of efficiency and economy, the evaluation assessed AgriFlexibility's overall resource utilization, implementation and factors that supported or hindered its efficiency.

3.2.1.1 Effectiveness of food safety, biosecurity and traceability programs

The evaluation assessed the contributions AgriFlexibility made to protect the food supply. According to program data, AgriFlexibility initiatives nearly achieved all of their output targets in this area, developing five of six food safety plans and programs to improve food safety, biosecurity, traceability, and risk management measures.¹⁷ AgriFlexibility funded significant efforts towards bolstering industry awareness and implementation of food safety and traceability

¹⁷ Report on Plans and Priorities 2013-2014: Horizontal Initiatives. Retrieved June 25, 2014, from <http://www.agr.gc.ca/eng/about-us/planning-and-reporting/reports-on-plans-and-priorities/2013-14-report-on-plans-and-priorities/horizontal-initiatives/?id=1361403000599>
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systems. This priority was addressed by two of the Federal-only initiatives including the *Salmonella and Campylobacter Baseline Study* and the *Livestock Auction Traceability Initiative*, one Industry-led initiative and three FPT cost-shared initiatives. The following two initiatives demonstrate some of the results achieved.

Livestock Auction Traceability Initiative

Launched in January 2011, Livestock Auction Traceability Initiative (LATI) was designed to improve traceability systems at auction marts, assembly yards and feed lots to limit and/or contain animal disease outbreaks, such as foot-and-mouth disease (FMD). LATI covered up to 80 per cent of the costs of implementing traceability systems, including: computers, software, cattle handling equipment, weigh scales, radio-frequency identification (RFID) readers, and training. The evaluation found that LATI contributed to its expected outcomes of improving traceability infrastructure and animal movement data; however, performance results were limited by low participation levels.

In total, 426 projects were completed with \$9.9 million paid to recipients.¹⁸ A large number of these recipients had little to no traceability capabilities prior to applying to LATI. These sites are now able to electronically capture, record, and report animal movement information related to traceability to meet current market demands, and are prepared for mandatory traceability regulations when they are fully implemented.

Two surveys of recipients, one conducted as part of the evaluation, found that 99% of recipients indicated that the Initiative had helped their facility enhance its traceability capabilities and 98% indicated that LATI helped their facility adjust to future traceability requirements. Exit survey results were collected as part of the program recipients' final expense claims. The survey results confirmed that LATI increased the livestock sector's ability to collect and transmit traceability information to the Canadian Cattle Identification Agency and Agri-Traçabilité Quebec.

LATI was intended to reach 900 to 1,000 sites, such as auction marts, assembly yards and feed lots, but less than half that number participated in the Initiative. Low participation, especially by auction marts, limited the Initiative's results. Some key informants indicated that the requirement for applicants to cover at least 20 per cent of the project costs was a barrier for potential participants. Others suggested this Initiative may have been premature, as industry did not need to alter their animal handling structures before federal regulations would come into effect.

Ontario: Traceability Foundations Initiative

The *Traceability Foundations Initiative* in Ontario appears to have contributed to the AgriFlexibility outcome of encouraging value chain innovation and sectoral adaptation. This Initiative provided up to 75 per cent cost-shared provincial funding to recipients for projects to implement or enhance traceability within a sector or value chain. The Initiative exceeded its target by nearly a third, funding 35 sector and value chain projects.¹⁹ Projects under this Initiative contributed to improved product traceability. Mock traceability exercises were conducted in 18 value chain and 15 sector projects that demonstrated the industry was able to trace, identify and contain 100 per cent of their products within 24 to 48 hours. Participants also reported that projects increased their competitiveness as they were able to obtain new food safety certifications that allowed them to access new markets, acquire new customers and

¹⁸ Ibid.

¹⁹ 2012-13 AgriFlexibility Annual Performance Report: Ontario. The Initiative's targets were 10-15 projects for value chain and 4-6 for sector area. Actual results were 19 projects for value chain and 16 for sector area. AAFC AAC-#103145393-v1A-OAE-EV-Evaluation_of_AgriFlexibility_Report;231556.DOCX

develop new partnerships. Project participants from the 35 projects also reported job creation and retention results due to their participation in the *Traceability Foundations Initiative*.²⁰

Ontario worked with industry to promote the results of the *Traceability Foundations Initiative* and encouraged other businesses and agricultural sectors to participate. For example, Ontario developed brochures to showcase the results of this Initiative and encouraged past participants to presents the results of their projects at conventions and conferences.

3.2.1.2 Effectiveness of trade and market development programs

The evaluation assessed the extent to which AgriFlexibility enabled industry to respond to market threats and/or emerging opportunities. By providing tools, technology and information necessary to industry, AgriFlexibility made significant contributions to addressing market access issues and trade barriers. Two Federal-only initiatives, five Industry-led initiatives and five FPT cost-shared initiatives fell under this area. Several examples are presented below to highlight some of the results achieved by trade and market development programs:

Building Success in Key Markets: Agriculture and Food Trade Commissioner Service

The evaluation found that the trade commissioner service and related activities under this Initiative contributed to its expected outcomes of improved international collaboration and increased market access. *Building Success in Key Markets* provided AAFC with the financial resources to more actively pursue exports in key markets and likely contributed to record levels of agricultural exports. As a result of the funding, three additional trade commissioners were added to the Agriculture and Food Trade Commissioner Service. These additional trade commissioners were senior executives placed in three priority markets – China (Beijing), India (New Delhi) and Turkey (Ankara) and were responsible for developing, maintaining and nurturing networks and relationship with key foreign decision-makers and decision-influencers in emerging markets. Funding also enabled staff to make more frequent visits to foreign countries (e.g., three to four times per year versus once per year) and increase engagement to resolve trade issues.

While it was difficult to directly attribute changes in trade statistics to the activities undertaken through this Initiative, it appears that those activities made some positive contributions. For example, the *Agriculture and Food Trade Commissioner Service (China)* reported the following results²¹:

- Canada has gained market access for beef in China and for pork in Russia, markets to which the US did not have access (as of June 2014);
- Canada has expanded access to Japan for beef and has parity with the US for access to Taiwan;
- AgriFlexibility funding was used to pay for incoming missions for other countries to audit Canadian programs, which helped expand access to beef export markets in Japan and Korea;
- Participation at the China Fisheries and Seafood Expo and Canadian Food Fair, which was supported by this Initiative, resulted in reported sales in excess of \$37 million;
- China, where additional trade commission support was funded under the Initiative, is now the top export market for Canadian ice-wine; and,

²⁰ Ibid.

²¹ AgriFlexibility Annual Reports and AAFC program documentation.
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- Despite China's partial restriction on canola seed exports since November 2009, efforts to keep the market open through intervention, negotiation and advocacy were essential to maintaining canola seed exports to China valued at \$2.3 billion (2014).

Overall benefits of trade and market development activities to Canada included improved relationships with trade partners and increased export opportunities. The push towards improving relationships and opening and expanding markets in China, India and Turkey was a focus of AAFC market and trade activities. Based on key informant discussions, it was not possible to isolate the incremental activities conducted using AgriFlexibility funding, especially with the activities funded as part of the *Agriculture and Food Trade Commissioner Service*. The additional three full-time equivalents (FTEs) were used to work on trade issues that were already being addressed and new issues as they arose (i.e., the funding was not used to address a new set of issues and priorities). These federal government FTEs were used to facilitate increased coordination and collaboration among the existing FTEs in China, India and Turkey whether they were from AAFC, DFATD, or the CFIA and engaged in higher-level liaisons. While AgriFlexibility funding helped to increase awareness of Canada's agriculture and agri-food sector globally, it raised expectations that certain market and trade activities may continue after the end of AgriFlexibility funding.

There were insufficient data to support an analysis of incremental benefits or return on investment arising from the AgriFlexibility funding under the *Building Success in Key Markets Initiative*.

Alberta: New Markets and New Products Initiative

The *New Markets and New Products Initiative* was designed to assist Alberta agri-food exporters to identify export opportunities and access custom market intelligence and in-market expertise, and business matchmaking. This Initiative funded 26 projects, including incoming buyers' missions, outgoing trade missions, and tradeshow. As a result of this Initiative, 37 products were modified or manufactured to meet consumer demands in priority markets, and 86 new exporters or products entered into new markets with an estimated value of \$70.5 million.²²

This Initiative addressed various needs of participating businesses and, when necessary, adapted to the needs of individual companies to help them increase their ability to address their exporting challenges such as modifying products to meet new and/or foreign market demands. Additionally, the ability to create forums or customized business networking events allowed industry to transition into new markets and increase sales, leading to market diversification.

Canola Council of Canada: Canola Market Access Plan

The *Canola Market Access Plan Initiative*, led by the Canola Council of Canada (CCC), developed a joint industry and government plan, the Rapid Response and Market Access Plan which helped the canola industry to address country-specific market access issues, contributed to significant increases in the volume of canola exports, and increased the capacity and knowledge to maintain and improve the industry's market access.

The Initiative facilitated relationships with international stakeholders which enabled dialogue to address specific market access issues leading to a long-term global strategy for canola market access. Case study and interviews indicate that the project contributed to maintaining or expanding the multi-billion dollar canola market, including restoration of the Chinese market

²² 2012-2013 AgriFlexibility Annual Performance Report: Alberta
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after concerns about canola seed testing positive for blackleg fungus²³ led to an emergency quarantine order in 2009–2010.

According to CCC's final performance reports, the Initiative far exceeded its targets by 169 per cent for canola seed and oil exports in 2012 and 2013 in major markets of China, US, Japan and Mexico. The Initiative, however, fell short of its target for canola seed and oil exports to the European Union by 39 per cent.

While there was limited evidence to demonstrate the direct contribution of this \$6.8 million Initiative, the economic impact across the Canadian canola industry (including value chain) increased from \$8 billion in 2008-09 to an average of \$19.3 billion in 2011-2012²⁴, gaining market access played an important role in this growth.

Canada's overall investments in trade and market activities have benefited numerous commodity exports. The *Agriculture and Food Trade Commissioner Service* (China) reported that the total agri-food and seafood exports to China was \$5.3 billion in 2014, almost double the 2009 export sales.²⁵ Among the other trade benefits with China reported for 2014 were: rapeseed/colza seeds exports at \$2.7 billion (56% increase from 2009), animal/vegetable fats and oils exports at \$500 million (80% increase from 2009), seafood exports at \$496 million (43% increase from 2009), and grains and cereal exports at \$408 million (58% increase from 2009).²⁶ The return on investment of the increased coordination and collaboration by AAFC's involvement in China trade promotion activities for 2012-2013 contributed to increased sales of value-added exports, which made up less than 1 per cent of export value to China. The value-added exports in 2014 were dominated by beverages (\$20 million), tobacco products (\$32 million) and prepared vegetables, fruit and nuts (\$30 million).²⁷

3.2.1.3 Effectiveness of science, innovation and adoption programs

The evaluation assessed contributions made to accelerating the pace of innovation and maintaining/increasing value chain innovation and adaptation. The agri-based processing sector made substantial progress towards reducing the cost of production and increasing sales revenues, highlighting the impacts of a strategically, well-planned program contributing to positive results for participants. Two Federal-only initiatives and five FPT cost-shared initiatives were funded under this area. Two initiative examples are discussed below.

²³ Canola Council of Canada: Blackleg is a disease of canola and oilseed rape which is caused primarily by the fungus *Leptosphaeria maculans*.

²⁴ LMC International (October 2013). The Economic Impact of Canola on the Canadian Economy. Page 7.

²⁵ Statistics Canada, CATSNET Analytics 2014: Canadian Agri-Food and Seafood Domestic Exports to China.

²⁶ Ibid; and AAFC (2012) China Strategy.

²⁷ Final Annual Report 2013-2014 to the Treasury Board Secretariat and Statistics Canada. CATSNET Analytics 2014: Canadian Agri-Food and Seafood Domestic Exports to China.
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Agri-based Processing Initiative

The *Agri-based Processing Initiative* (API) helped businesses physically transform their operations through the purchase and installation of new-to-company equipment. More than \$34 million in funding was distributed over the five years of the API.²⁸ More than 53 companies participated in the API, although about one-fifth of the projects were relatively small (less than \$100,000 in funding) in repayment contributions. The evaluation found the API largely met its expected outcomes even though some companies withdrew. The API encouraged processing companies to establish operations in Canada, and allowed companies to increase sales and market share, access new markets (e.g., by helping them meet export standards, develop new types of packaging, extend product shelf-life) and reduce the cost of production. Of the 53 contracted API projects, 45 had started repayments in 2013-2014 and eight projects were due to start in 2014-2015.²⁹

The evaluation assessed the return on investment for 35 projects funded through the API based on information available in their performance reports, specifically their total sales. The evaluation examined total sales (both domestic and export) the year prior to the API funding, and compared it to the reporting year. It then calculated the difference of sales before and after, as seen in Table 5.

As per Table 5 below, the companies involved in those projects saw a 50 per cent increase in product sales as of March 31, 2014. Based on the funding provided to the examined companies, \$22.2 million of AgriFlexibility generated \$29.62 in sales for every \$1 funded.

Table 5: API Recipient Sales and Funding to Sales Ratio (2009-2014)³⁰

Total Sales (\$)		API Funding to Sales Ratio	
Yearly sales prior to API funding*	Sales during API reporting year	API Funding	Sales Ratio
\$657,274,058	\$1,315,482,011	\$22,222,444	\$1:\$29.62

*Sales reported by 35 companies one year prior to getting API funding.

Aside from increased economic activity, the API funding helped create 527 new full-time jobs and 63 part-time jobs between 2009 to 2014 based on 35 of 50 projects, as shown in Table 6 below.

Table 6: Jobs Created with API Funding (2009-2014)³¹

Description	Number of Jobs
Full-Time Jobs	527
Part-Time Jobs	61
Total Jobs	588

A project review of a meat manufacturing and packaging company in Ontario provided an example of how this Initiative assisted one company.

²⁸ Report on Plans and Priorities 2013-2014: Horizontal Initiatives. Retrieved June 25, 2014, from <http://www.agr.gc.ca/eng/about-us/planning-and-reporting/reports-on-plans-and-priorities/2013-14-report-on-plans-and-priorities/horizontal-initiatives/?id=1361403000599>

²⁹ 58 projects were contracted initially, five terminated their agreements.

³⁰ *Agri-based Processing Initiative* documentation and data, March 31, 2014.

³¹ Ibid.

The meat processing company purchased and installed new packaging equipment for its processed meat products. The company received an interest-free repayable contribution under this Initiative. The new equipment was expected to increase productivity and efficiency as well as enhance food safety and product shelf-life. The company reported the equipment increased production speed by a third, improved the shelf-life of its processed meat products which allowed the company to reach new retailers, allowed for the introduction of new product lines and, most importantly, led to a near doubling of annual domestic sales from \$4 million at project outset to \$7.7 million in 2013.

Broader benefits from the project included reduced packaging which cut the company's cardboard consumption by 81 metric tonnes in 2012. It also nearly doubled the company's demand for meat inputs from producers and created 10 new full-time jobs.

While it was difficult to attribute, with any certainty, some or all of this change to AgriFlexibility funding, the API had the most beneficial impact under science, innovation and adoption programs. Evidence from case studies and interviews showed the API helped some companies improve their competitiveness by modernizing processing facilities to increase productivity and sales and others simply to remain in business. Key informants and program documentation noted other benefits such as increased export sales to US and other markets, reduced transportation cost by buying regionally, increased demand for Canadian primary agricultural commodities (i.e., ingredients for production) and improved environmental sustainability.

Innovation from Research Initiative

The *Innovation from Research Initiative* (IRI) was created to help foster new innovations in the sector, such as new processes, tools and practices and bring applied research closer to commercialization. Using a peer-review process with program management oversight to ensure alignment with AAFC's priorities, a total of 39 research projects were selected during the first year of this Initiative.

The evaluation found that IRI was driven by a need to fill gaps in innovation and to support new scientists hired by AAFC. IRI has contributed to the development of 110 innovations, falling short of meeting its performance target of 133 innovations. IRI helped develop networks with other scientists that will allow much of IRI's research to continue under various AAFC programming with the intent that the results of applied research are provided to farmers and processors as quickly as possible to ensure that they remain competitive.

Saskatchewan: Commercialization of Rapid Wheat DNA Testing

Through this project, a team of experienced technologists, senior scientists, and project leaders with expertise in crop genetics and molecular biology worked together to launch new commercial tests for several wheat varieties and developed more efficient processes for testing of wheat midges. According to documentation, the project led to the commercial sale of three newly-registered midge resistant wheat varieties. This technology was expected to help offset the \$40 million annual cost of midge damage to wheat without the application of chemicals.³²

³² Agricultural Flexibility Fund Annual Report 2010-2011 and 2012-2013. For more information on midge damage in wheat, refer to CGC. <https://www.grainscanada.gc.ca/wheat-ble/factor-facteur/mdgedmg-eng.htm>. AAFC AAC-#103145393-v1A-OAE-EV-Evaluation_of_AgriFlexibility_Report;231556.DOCX

3.2.1.4 Effectiveness of agri-business development programs

Agri-business development programs were aimed at helping businesses become more profitable through activities that helped to increase awareness and encourage the use of beneficial business management practices. Many proactive initiatives were undertaken to help agri-businesses address emerging opportunities and regulations and gain operational efficiencies. Three Industry-led initiatives and 10 FPT cost-shared initiatives fell under this area. A few program examples are discussed in further detail below.

National: Meat Hygiene Pilot Program

This Program was undertaken in partnership with CFIA and provinces and intended to help provincially-inspected abattoirs upgrade their facilities to meet federal *Meat Inspection Regulations, 1990*. CFIA worked with provincial counterparts to map out challenges preventing small meat businesses from moving from provincial to federal registration, and becoming eligible to move product either inter-provincially or to sell to major retailers who have federal meat registration as a pre-condition for sale.

The Pilot Program started in 2011 with the CFIA conducting a gap analysis with 13 participating facilities. The analysis identified facility, structural, equipment, and quality assurance infrastructure areas where changes to satisfy then current federal meat requirements were needed. This provided CFIA with the necessary information to reflect and redesign a number of federal meat inspection requirements in a more flexible way that would achieve food safety outcomes without having to fully upgrade their facilities to meet federal registration requirements. The Program provided supporting evidence to allow amendments to the Meat Hygiene Manual of Procedures in 2012, and numerous amendments to the *Meat Inspection Regulations, 1990* that were approved in April 2012, April 2013 and June 2014.³³

Of the 13 facilities that initially participated in the program in 2011–2012, 11 remained at the end of the Program.³⁴ One of the facilities went out of business and a second withdrew due to the high cost of required upgrades. At the time of the evaluation, most of the 11 facilities remaining in the Program had yet to complete the process of attaining federal registration, although some were considered close to this goal. As of November 2014, there were two facilities that had requested registration and were being reviewed by CFIA to become compliant with federal registration regulations. A number of factors led to delays in federal registration by CFIA including: waiting for amendments to the *Meat Inspection Regulations, 1990* to be approved, the availability of funding, structural and physical limitations to the facilities being upgraded, and the amount of time needed to schedule and complete the work, especially in western Canada, due to labour issues and the shortage of tradespeople. In addition, some businesses looked at the work involved and decided to plan more long-term, taking into consideration how these changes would improve their business, not just how they would meet the federal requirements.

Although the participating meat processing facilities have not yet attained federal registration, the evaluation found that those facilities involved in the program have a better understanding of the upgrades that are required. A case study conducted as part of the evaluation showed that the structural and process upgrades completed to one meat processing facility have streamlined

³³ 2012: <http://www.gazette.gc.ca/rp-pr/p1/2012/2012-04-07/html/reg1-eng.html>; 2013: <http://www.gazette.gc.ca/rp-pr/p2/2013/2013-05-08/html/sor-dors75-eng.html>; 2014: <http://canadagazette.gc.ca/rp-pr/p2/2014/2014-07-02/html/sor-dors151-eng.php>

³⁴ There are 4000 establishments involved in the slaughter of food animals and in the processing, packaging, labelling, refrigeration, freezing and storage of meat products in Canada that are not federally registered. Only approximately 15 to 20 of those seek to become federally registered per year. (<http://canadagazette.gc.ca/rp-pr/p2/2014/2014-07-02/html/sor-dors151-eng.php>)
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the plant's operations, making it more efficient and productive. Further, the information generated by this Program allowed CFIA to better justify changes it made to food safety guidelines, taking into account the challenges faced by businesses in this Pilot Program.

Quebec: Initiative to Support Advisory Services

This Initiative aimed to improve the management capacity of farm businesses and their competitiveness. The evaluation found that the Initiative conducted numerous financial analyses, provided advisory services, and assisted with the development of business and operating plans and produced the following outputs:

- 2,582 financial analysis were conducted and 5,788 advisory services were provided for businesses that were in a precarious financial situation; and,
- Over 2,200 business plans and operating plans were produced over the duration of the Initiative.

Canadian Cattlemen's Association: Facilitating Information Across The Beef Value Chain

This project created and delivered an internet-based database solution, Beef InfoXchange System (BIXS), enabling Canadian beef producers to access and share production information and detailed individual animal carcass data. The platform was designed to help producers determine how to raise an animal so it meets processors' demands for specific product attributes (e.g., marbling in beef). Despite considerable consultation and testing of BIXS 1.0, the system was too complex and did not meet the technical expectations of some stakeholders which ultimately hampered uptake.

To enhance sustainability and uptake, BIXS was re-designed and developed to include a revenue model that incorporates technical and visual structure designed to accommodate advertising that was driven and maintained by BIXS staff - the ability to invoice based on metered activities (e.g. fees to generate standard reports or export data; fees for random queries, e-mails); billable specialty services (e.g. one-off more complex reports) and successfully introduced BIXS 2.0. With the release of BIXS 2.0, many of the challenges were addressed with the expectation that continuous improvements will be sought to meet stakeholder needs.

Pulse Canada: Innovative Solutions to Transportation Challenges in the Canadian Pulse and Special Crops Industry

The purpose of this Initiative was to develop web-based software that would provide detailed and accurate information on the transportation of specialty crops to resolve transportation bottlenecks that have prevented crops from getting to market.³⁵ Performance reports indicates that the Initiative helped to improve the efficiency of the pulse and specialty crop transportation system, as program participants experienced marked year-over-year improvements in railway transit times. Carload corridors saw a reduction of 22 per cent in transit time variability and intermodal corridors improved by 14 per cent on average. Other areas of improvements were identified and best practice standards were proposed.

As a result, the transportation efficiency component of this Initiative has been expanded to cover other grains and oil seed sectors through funding under Growing Forward 2 and industry

³⁵ AgriFlexibility Final Performance report: Pulse Crops (Canada) Association, AFI0001, Innovative Solutions to Transportation Challenges in the Canadian Pulse and Special Crops Industry.
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contributions.³⁶ There was little evidence that other planned project activities related to improving the profitability of specialty crop transportation were completed or achieved their expected results.³⁷ Efforts to make these improvements and implement best practice standards were being undertaken through bilateral discussions with stakeholders.³⁸

3.2.1.5 Effectiveness of environment action programs

The evaluation assessed the contributions AgriFlexibility initiatives made to improve the environmental performance of producers and industry. The expected result that producers, partners, or industry would implement actions to improve their environmental practices was primarily addressed through four FPT cost-shared initiatives. Environmental action programs received only 8 per cent of AgriFlexibility funding and have had a relatively modest impact. Four of the 26 FPT cost-shared programs were aligned with improved environmental sustainability. The documentation indicates that 229 actions had been implemented and suggests that this sub-activity will not fully achieve its initial targets of 265.³⁹ The missed targets were primarily due to delayed actions that were to be implemented by producers to improve their environmental practices and resulted in reduced funding.⁴⁰ One example of how individual FPT cost-shared program contributed to this expected outcome is discussed below.

Prince Edward Island (PEI): Renewable Energy Initiative

The *Renewable Energy Initiative* was designed to demonstrate the potential for on-farm renewable energy to improve farm net income while enhancing environmental sustainability. The following types of renewable energy systems were eligible for funding: solar, biogas, wind, biomass, and geothermal. Through numerous projects, the Initiative demonstrated that wind turbines, of the type and scale used on individual farms, were inefficient and lacked reliability in the PEI farm environment with the current technology.

This Initiative also demonstrated that biomass boilers were a viable option for farmers, as the cost of fuel for this type of furnace was lower than non-renewable sources, and produced the high heat required from many heating and drying applications on PEI farms. By requiring all biomass boilers to meet PEI's stringent energy efficiency and low emissions standards, this Initiative ensured their effective implementation, as they burn a renewable, locally produced source of fuel. The use of local source of fuel allows producers to obtain a quicker return on their investments compared to alternative technologies. There were no data available to conclude whether farmers had any cost savings as a result of installing biomass boilers and it was too early to assess the viability of solar power due to the limited number of operations that installed solar photovoltaic panels.

³⁶ Report on Plans and Priorities 2013-2014: Horizontal Initiatives. Retrieved June 25, 2014, from <http://www.agr.gc.ca/eng/about-us/planning-and-reporting/reports-on-plans-and-priorities/2013-14-report-on-plans-and-priorities/horizontal-initiatives/?id=1361403000599>

³⁷ AAFC 2013. AgriFlexibility Final Performance Report. Innovative Solutions to Transportation Challenges in the Canadian Pulse and Special Crops Industry. Submitted by Pulse Corps (Canada) Association.

³⁸ Agricultural Flexibility Fund 2012-2013 Progress Report, AFI0001, Innovative Solutions to Transportation Challenges In the Canadian Pulse and Special Crops Industry, January 1, 2013 to March 31, 2013.

³⁹ Report on Plans and Priorities 2013-2014: Horizontal Initiatives. Retrieved June 25, 2014, from <http://www.agr.gc.ca/eng/about-us/planning-and-reporting/reports-on-plans-and-priorities/2013-14-report-on-plans-and-priorities/horizontal-initiatives/?id=1361403000599>

⁴⁰ Ibid.

3.2.1.6 Summary of Effectiveness

The programs under food safety, biosecurity and traceability have generated increased knowledge that can be used to help maintain market access both domestically and internationally. The *Salmonella and Campylobacter in Broiler Chicken Baseline Study* has enhanced Canada's ability to provide national and current baseline estimates on the prevalence and concentration of salmonella and campylobacter in broiler chicken and chicken meats. The *Livestock Auction Traceability Initiative* experienced uptake challenges and did not meet some of their performance indicators but overall this Initiative made big strides towards increasing the livestock sector's ability to collect and transmit traceability information and helped industry prepare for upcoming traceability regulations. The true test of its effectiveness will not occur until the regulations are enacted.

Some FPT cost-shared initiatives that focused on food safety had mixed success, as some did not meet their intended overall goal, but they did advance food safety handling practice for a number of businesses. Other initiatives, such as Ontario's *Traceability Foundations Initiative*, exceeded its goals and indicated that further expansion of its activities could be beneficial to the industry. Program participants attaining federal registration in the *National Meat Hygiene Pilot Program* experienced challenges in timeliness of funds, the number of structural and physical limitations to the facilities being upgraded, and the duration of work to be completed. Most companies realized that they required long-term planning and capital to fund the changes to their facilities than the duration of the program and funding allotted.

The programs under trade and market development contributed to the changes in Canada's trade statistics as Canada experienced increased levels of agricultural exports during AgriFlexibility. Programming efforts strengthened AAFC's market access approach, addressed numerous market access challenges and further developed strategic relationships with key trading partners. Similarly, some FPT cost-shared initiatives made progress towards increasing market demand, such as with Alberta's *New Markets and New Products Initiative*, while others produced outcomes that did not meet expectations.

Those programs falling into the science and value chain innovation and adaptation category made progress towards attaining their intended results. Agri-based processing sector program participants achieved positive short-term results through the *Agri-based Processing Initiative*. The Initiative helped businesses physically transform their operations through the purchase and installation of new-to-company equipment. API not only helped some companies improve their competitiveness, it increased sales revenues, and in some cases also helped them to remain in business. While the *Innovation from Research Initiative* developed tools, practices and processes, it also developed a network for scientists to share their expertise and knowledge.

Proactive measures were taken in many agri-business development programs. Great strides were made in galvanizing the pulse and canola sector by increasing collaboration amongst its industry members, addressing potential and actual loss revenue due to delays and market access barriers, increasing the awareness and information available through technology and tools amongst its members about its products and their benefits and market opportunities. The Canadian Cattlemen's Association (BIXS 2.0) and Pulse Canada's Transportation projects were prime examples of industry taking a proactive approach to address sector concerns. The sum of its efforts should help ready the sector and its members to maintain and expand their revenue opportunities going forward.

AgriFlexibility programs focusing on environmental action generally did not meet their targets, because many of the programs recipients were delayed in the implementation of the environmental actions as many provinces were challenged to fund programs that did not

duplicate or overlap existing programs, i.e., Growing Forward programs. While these programs may have increased environmental activities, they did not have the impact that was originally projected. Some outcomes were targeted for attainment well after AgriFlexibility funding ended, as the nature of the environmental action programs extend for many years and will likely continue with other forms of funding.

Given the diversity of initiatives funded through AgriFlexibility and lack of detailed information on quantitative results of projects, estimating the overall return on investment for all initiatives was not possible. Each project addressed a different risk and yielded different benefits. Most projects were in their infancy stage and will not show a return on investment until industry has had the opportunity to implement various research, tools, products and processes.

Ultimately, the flexibility in funding offered through AgriFlexibility assisted a multitude of projects of various types, in many sectors of industry, in responding to market challenges and opportunities, promoting innovation and sectoral adaptation and to a lesser extent improving environmental sustainability. While AgriFlexibility provided this support to industry, further collaboration was required to ensure that future funding would be most efficiently utilized. Future programming must target the needs articulated by industry with strong program logic to define how outcomes will be measured, and funding agreements must specify outcome reporting that provides the data required for program impact analysis. Successful implementation of this approach will support future evaluations in determining the effectiveness of this programming.

3.2.2 Economy and Efficiency

This section focuses on the evaluation issue of economy and efficiency — specifically whether AgriFlexibility was implemented as designed, whether it was delivered in an efficient manner, and what factors supported or hindered its efficiency.

3.2.2.1 Economy

Overall, the evaluation found that AgriFlexibility was implemented as designed in that it provided a flexible source of funding that could be used to achieve AgriFlexibility objectives. All of the funded initiatives aligned with one or more of the AgriFlexibility investment areas.

There was no predetermined plan for the number of programs that would be funded or their distribution across sectors or provinces. Identification and selection of programs for funding was conducted using an internal request for funds process for Federal-only initiatives and a proposal-based process for FPT cost-shared and Industry-led initiatives.

The following factors affected the implementation of AgriFlexibility initiatives:

- **Reductions to the amount of funding available for initiatives.** Due to funding realignment to other initiatives outside of AgriFlexibility (see Table 2 in Section 2.3), the total amount of funding available for all AgriFlexibility initiatives was reduced from the original \$500 million to \$322.7 million.
- **Lower-than-anticipated spending in the first year of AgriFlexibility (2009–2010) resulted in anticipated funding lapses.** Although AgriFlexibility was launched in July 2009, proponents had to consult with industry, obtain funding, and develop worthwhile proposals. AAFC undertook an assessment of a wide range of program proposals that included a number of issues that impeded the implementation of AgriFlexibility initiatives including:

- Thoroughly assessing proposals that were often complex in nature, requiring consultation with experts across the Department and discussions with the program and project proponents;
 - Ensuring that the AgriFlexibility initiatives did not overlap, duplicate, or displace other programs took time and required consultation across the Department and with regions;
 - TBS requested an equally-distributed funding profile across the five-year period, but noted that the first year of any program is typically slow to launch and, as a result, AgriFlexibility lapsed funds as expected;
 - Federal-only initiatives had uptake issues for some programs. For example, due to low industry participation in the *Livestock Auction Traceability Initiative* (LATI), some of the available funding was lapsed during the first two years of LATI; and,
 - FPT cost-shared initiatives were challenging to implement as AgriFlexibility was launched at a time of increasing fiscal restraint for some provinces and territories and were off-cycle to provincial budget request processes, further constraining their ability to cost-share. Some provinces and territories had reduced their requested federal AgriFlexibility amounts because they could not commit to their funding commitments as outlined in their bilateral agreements. The economic situation was recognized as a risk from the time of design, and it was anticipated that there could be low participation in the first year.
- **Amendment to program eligibility and criteria for Federal-only and FPT cost-shared initiatives.** The program eligibility and criteria specified that “all programming under the Agricultural Flexibility Fund (federal-only and partner programming) must be incremental initiatives (i.e. shall not overlap, duplicate or displace Growing Forward or other existing provincial/territorial programming)”.⁴¹

AgriFlexibility was approved by TBS at the same time that Growing Forward was beginning to be implemented. As a result, Growing Forward program details were not in place, and initial AgriFlexibility initiatives were developed without this information. Given the criteria to not overlap, duplicate, or displace provincial programs, even while provincial program details were not always available, AAFC requested clarification on the interpretation of that particular criterion to ensure the Department respected requirements.

In 2010–2011, AAFC sought an amendment to program eligibility and criteria of AgriFlexibility Federal-only and cost-shared initiatives to aid in aligning with and complementing existing Growing Forward programs to address the above-noted issue and to correct some minor inconsistencies in AgriFlexibility’s guiding documents — in particular, the omission of provincial/territorial governments as eligible recipients. The delivery of the *Agri-based Processing Initiative* and the launch of the *Livestock Auction Traceability Initiative* were delayed as a result.

Governance

Given AgriFlexibility’s wide scope for qualified funding opportunities, and the three initiative types (Federal-only, cost-shared, and Industry-led), an efficient governance structure was

⁴¹ Agricultural Flexibility Fund Annual Report 2010-2011.
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essential to ensuring timely delivery of funds. The governance structure (summarized in Annex E) covered all three types of initiatives under AgriFlexibility.

AAFC set up a governance structure at various managerial levels covering the overall approval and review process. This governance structure was reviewed by a Program Under Development Audit conducted by AAFC's Office of Audit and Evaluation in 2009–2010 to ensure that adequate governance, risk-management, and control frameworks were in place during the early stages of the AgriFlexibility lifecycle and provided a reasonable expectation that funds would be used for the intended purpose and that planned outcomes would be achieved.⁴²

Based on the audit recommendations from the Program under Development Audit⁴³, AAFC implemented the following recommendations:

- reassessment of AgriFlexibility risk and assessment of mitigation actions;
- development and dissimilation (within the Department) of lessons learned; and,
- the adequate documentation of funding recommendations for AgriFlexibility programs/projects, to more clearly justify funding decisions.

The audit found that an appropriate governance structure had been implemented for AgriFlexibility, which supported the consistent application of the approved program terms and conditions and other relevant policy requirements. It also found that most of the expected elements of the governance, risk-management, and control frameworks for AgriFlexibility were in place and working appropriately. Roles and responsibilities were clear, a senior-level committee comprised of directors general provided appropriate oversight, key risks were identified and controls implemented to mitigate the assessed risks, templates consistent with the approved terms and conditions were used to assess programs and projects, and funding agreements were generally complete and consistent with program terms and conditions. The processes for collecting and monitoring information on AgriFlexibility's implementation (required so that corrective action, when necessary, would be taken) were still under development at the time of the audit.⁴⁴

3.2.2.2 Efficiency

Another method of determining the efficiency of delivery of a program was to examine the administrative costs to run the program, compared to its overall costs. The administration costs for AgriFlexibility were targeted to be no more than 8 per cent of the total program costs.

As shown in Table 7 an average of 10 per cent of the overall expenditures for AgriFlexibility was used for administrative purposes. The table also provides a breakdown of administration costs percentage for each AgriFlexibility initiative, some expended beyond the allowable 8 per cent.

⁴² Audit of the Agricultural Flexibility Fund.

⁴³ Agricultural Flexibility Fund Annual Report 2012-2013.

⁴⁴ Audit of the Agricultural Flexibility Fund.

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**Table 7: AgriFlexibility Administration and Program Expenditures, 2009–2010
to 2013–2014⁴⁵**

Initiatives	Expenditures*(millions)			
	Administration	Program	Total	Administrative as % of total
Federal-only and Industry-led Initiatives				
Livestock Auction Traceability Initiative	\$1.35	\$9.91	\$11.26	12%
Building Success in Key Marketing	\$0.63	\$8.17	\$8.80	7%
Canadian Brand Advocacy Initiative	\$3.47	\$18.17	\$21.64	16%
Innovation Research Initiative	\$2.37	\$15.98	\$18.35	13%
Agri-based Processing Initiative	\$3.31	\$36.16	\$39.47	8%
Salmonella & Campylobacter Baseline Study	\$0.16	\$1.97	\$2.13	8%
Industry-led Initiatives	\$5.44	\$25.13	\$30.57	18%
Federal-only and Industry-led subtotal	\$16.73	\$115.49	\$132.22	13%
FPT cost-shared Initiatives	\$2.57	\$87.80	\$90.37	3%
Accommodation/Internal Services/Employee Benefit Plan	\$4.26		\$4.26	
Total	\$23.56	\$203.29	\$226.85	10%

*Totals may not sum due to rounding.

The higher proportion of administrative costs for some AgriFlexibility initiatives was a result of the large number of proposals initially received from prospective program participants, many of which did not fit the eligibility criteria for funding. This process led to a greater proportion of administrative resources being used to review, revise, approve, or reject the proposals.

The cost-shared initiatives leveraged an additional \$89 million dollars from participating provinces and industry, thereby providing a large infusion of cash and in-kind contributions, during the challenging economic situation faced prior to and during the AgriFlexibility period. This was seen as a major accomplishment as many provinces were significantly challenged in raising provincial funding for cost-shared initiatives in 2009-10, as the January 2009 announcement of AgriFlexibility in the federal budget did not coincide with financial planning cycles and most provinces and territories had already exhausted a majority of their funds and resources towards Growing Forward initiatives.

The rigorous review and approvals processes ensured funding was allocated to the areas where it was needed most.

3.3 Lessons Learned

Based on the assessment of programs and projects under AgriFlexibility initiatives, the evaluation found that AgriFlexibility's wide scope created challenges and opportunities for the agriculture and agri-food sector and offered some lessons for future programming. Overall, AgriFlexibility initiatives achieved some of their objectives relating to market demand and profitability improvement. Several initiatives faced unanticipated challenges in their delivery, and the long-term impact for many has yet to be resolved. The fact that some initiatives are continuing on and expanding their scope suggests that they had a worthwhile impact on the agriculture and agri-food sector. A few lessons learned from the activities of AgriFlexibility initiatives are provided below.

⁴⁵ AgriFlexibility overview final provided to Treasury Board Secretariat June 2014.
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1) Consultation with industry to identify gaps, imminent needs, and stakeholder engagement issues prior to full rollout can increase initiative success.

Some initiatives, such as the *Salmonella and Campylobacter Baseline Study*, gathered data to help federal government monitor the progress of food safety programs and policies. These initiatives also contributed to the development of interventions to address food safety concerns. Others, such as the *Livestock Auction Traceability Initiative* (LATI), attempted to improve traceability systems used by producers, again with an overall goal to improve food safety.

The difference between the two initiatives appears to be the amount and breadth of consultations. The *Salmonella and Campylobacter Baseline Study* worked with other federal departments, industry, and the provinces to develop standard operating procedures and tested them to ensure a successful rollout of the study. LATI was implemented with industry consultations that started in 2006 but with the assumption that industry would see the need for the upgrading of their livestock traceability systems and apply for funding to meet pending federal requirements. While some in industry did approach the situation in this manner, many did not, such as the auction marts. The lack of industry buy-in may be due to inadequate industry consultation on the part of the federal government and the required 20 per cent industry contribution, which led to lower-than-anticipated participation rates and resistance to changing systems where the benefits were unclear.⁴⁶

Another example of this lesson learned was the *Pulse Canada: Innovative Solution to Transportation Challenges in the Canadian Pulse and Special Crops Industry Project*, which faced some challenges with respect to getting support from various stakeholders. This Project found that there were a large number of stakeholders involved in the pulse and special crop supply chain, some of which had individual priorities that led them to reduce the overall effectiveness of the supply chain. In particular, shippers in the supply chain often used flawed and inefficient systems to: forecast needs; book and pick up equipment; transport products to ports; load product into containers; and place produce on board vessels. As a result, rail cars and shipping containers were not being delivered adequately and resulted in congestion, delays and missed shipments on vessels.⁴⁷ These inefficiencies increased costs for all stakeholders in the pulse and special crop supply chain and had a substantially negative effect on producer profits.

This particular transportation issue was seen as impeding the sector's growth during a time when the industry was expanding rapidly.⁴⁸ Some companies were occasionally benefiting by taking advantage of supply chains and using shortcuts that had negative consequences on the entire supply chain system. These companies were reluctant to participate in projects such as this as it meant giving up their market advantage. To deal with these types of stakeholder engagement issues and work collaboratively to reduce negative consequences on the pulse supply chain, this Project constantly worked to find ways to market the Project and demonstrate how stakeholder participation benefited not only the supply chain but individual companies.

⁴⁶ Two initiatives varied in the amount of contribution by recipients, participants, time and effort by the business owner and type of ownership. The *Salmonella and Campylobacter Baseline Study* required recipients to contribute very little financially with low level of effort towards the initiative, and were directed under supply management with provincial boards that make decisions on behalf of their members. LATI, on the other hand, required 20% contribution from their recipients that were independent business owners with limited association leadership capacity and had to deal with business interruptions.

⁴⁷ Pulse Canada (2009). *Innovative Solutions to Transportation Challenges in the Canadian Pulse and Special Crops Industry: Industry Proposal Form*.

⁴⁸ Ibid.

These examples indicate that enhanced industry consultation with clear stakeholder engagement issues prior to the development of an initiative and during its implementation can increase success.

2) Initiatives that target a strong existing need within industry and which are efficiently administered are most likely to be effective in their delivery.

While it may seem obvious, having industry perceive a strong need for an initiative and ensuring the mechanisms are in place to efficiently roll it out plays a key role in its success. Based on the information gathered in this evaluation, the *Agri-based Processing Initiative* appears to be an example of this type of initiative.

The *Agri-based Processing Initiative* had well-developed and clear eligibility criteria, a self-screening process built into the application form, and a continuous intake process to stabilize resource load in the application review process. This allowed the *Agri-based Processing Initiative* to be efficient in its use of administrative resources. It also helped that the funding support Agri-based Processing Initiative provided to existing agri-processors was for new technology they believed would help them sustain or improve their business. Allowing the *Agri-based Processing Initiative* funds to be used by participants as they saw fit to improve their business (for eligible activities) gave participants more control over the changes occurring in their operations. *Agri-based Processing Initiative* allowed administrators to capture and analyze data to determine the Initiative's impact on agri-processing businesses by providing reasonable performance reporting templates and instructions.

3) To assess the impact of initiatives with broad range of activities and recipients, comparable performance measures and data collection strategies are necessary.

Initiatives like *Building Success in Key Markets* and *Canada Brand Advocacy Initiative* (CBAI) comprised a wide range of activities with multiple objectives, and measuring their effectiveness was not possible given the external dynamics that are part of the international marketplace. Performance could not be attributed to national import and export data as these figures are highly influenced by such things as tariff, currency fluctuations, government policies, inflation and subsidies. In addition, the use of national-based statistics could not be applied to localized promotions generated by CBAI. Instead, CBAI employed and reported on performance measures targeted to the specific market activity. Setting up standardized data collection templates for measuring change and having the data collected consistently is an on-going challenge for many programs, as often this part of the process is left until the end of activities or is relegated to a lesser priority when primary project activities are underway.

For the FPT cost-shared initiatives much of the daily administration and oversight of projects was conducted by provincial governments or their partners, and it may be unrealistic to believe that these stakeholders have the capacity or resources on their own to collect data during or immediately after project completion to provide effective results reporting.

Measuring results, such as the return on investment, from FPT cost-shared initiatives would require AAFC to work closely with provincial or territorial partners to develop specific measures and data collection procedures for collecting baseline and ongoing performance data for projects and monitoring that the data are collected. The initial baseline data would allow performance comparisons with subsequent years of an initiative or other future initiatives. Such measurement would have been challenging for the AgriFlexibility initiatives mentioned above given their broad scope. More focused initiatives would allow for impact measures to be designed and implemented with greater efficiency and provide usable and comparable data.

The performance measures need to be designed to reflect the scope of the program, including strategic objectives and specific goals, supporting activities, data collection procedures and measures of attainment.

4) Although some initiatives may not have met all of their objectives, some additional benefits, such as increased food safety handling, productivity and sales were achieved by participants.

Some initiatives can produce positive results even when all objectives are not met. For example, the *National Meat Hygiene Pilot Project* was intended to help provincially-inspected abattoirs upgrade their facilities to meet federal guidelines. While many participating businesses have yet to meet federal guidelines, those facilities now have a better understanding of the process and upgrades required. In addition, the information gathered and generated by this initiative allowed CFIA to better justify changes it made to food safety guidelines, taking into account the challenges faced by businesses in this pilot program. As one of the businesses for the case studies for this Initiative indicated, although the business had not met the federal guidelines, the structural and process upgrades completed to its facility have streamlined the plant's operations, making it more efficient and productive.

5) Refining of the request for proposal process and narrowing eligibility criteria can reduce administrative burden.

The somewhat higher proportion of administrative costs for some AgriFlexibility initiatives may be a result of the large number of proposals initially received from prospective program participants, many of which did not fit the eligibility criteria for funding. This process led to a greater proportion of administrative resources being used to review, approve, or reject the proposals.

Refining the eligibility parameters for project applications, and providing clear guidelines and examples to potential applicants as to the types of projects suitable for funding, could reduce the number of poor quality applications submitted. This in turn, would reduce the number of funding applications to review; increase the quality of proposals received; and increase the chances that the minimum eligibility requirements are being met.

The length of time it took to review, determine eligibility, gain approval, and then prepare agreements, appeared drawn out as AAFC took time to decipher and decide the parameters of programming to be funded and subsequently the eligible activities and program participants.

4.0 CONCLUSIONS

The evaluation found that the need for AgriFlexibility was largely met in that programs focused on assisting industry in responding to challenges through non-business risk-management activities led by industry, the federal government, and FPT partnerships during a challenging economic period. As a one-time investment, AgriFlexibility spent \$227 million of its original \$500 million on six Federal-only initiatives, 26 initiatives cost-shared in partnership with provinces and territories (plus one national project), and nine Industry-led initiatives which involved numerous projects to reach hundreds of producers, processors, and industry stakeholders.

The three AgriFlexibility investment areas were directly linked to AAFC's three strategic outcomes (2013-2014). Certain initiatives helped achieve AAFC's mandate while other initiatives required more development even though they set in motion activities that may be carried out under Growing Forward 2.

The evaluation found that AgriFlexibility initiatives did not duplicate or counteract other federal programs, and complemented other program activities that aligned with AAFC strategic outcomes. The announcement of AgriFlexibility as part of the Government of Canada's Economic Action Plan, Budget 2009 (2009–2010 to 2013–2014) in response to the economic crisis in 2008 coincided with the announcement of Growing Forward initiatives. The agricultural sector was facing many challenges as a result of the economic downturn in 2008. High input prices, low commodity prices and increasing competition and restrictions from the international marketplace were some of the major issues facing the agricultural sector.

Budget 2009 provided targeted and temporary stimulus funding during a period of high economic uncertainty facing the Canadian agricultural sector. Since the provinces and territories found utilizing the funds offered by AgriFlexibility particularly challenging, greater due diligence was exercised, as they had already committed a large portion of their budget and resources towards the new Growing Forward programs. This led to a stronger governance process that increased due diligence of initiatives to avoid duplication, overlap, or displacement of existing programs. This also ensured AgriFlexibility funded programs that complemented existing programs, and in some cases, the federal government worked with provinces to refine their proposals as necessary to ensure there was no duplication or displacement of federal programs.

Although the effectiveness varies from initiative to initiative, AgriFlexibility helped producers, processors, and suppliers with information, tools and knowledge to make effective management decisions to meet current and, in some cases, future sectoral challenges which are critical to improving the competitiveness and profitability of the agriculture industry over the long-term. While many initiatives had made progress towards achieving their desired outcomes, further work or development is required to address current and future trade barriers, impending regulations that loom over the industry and increasing costs of production. Other AgriFlexibility initiatives complemented existing programs at the federal and provincial levels.

AgriFlexibility was affected by various factors, including reallocation of funding to other non-AgriFlexibility programming, and resulted in \$227 million of actual expenditures of the original \$500 million budgeted over five years. However, overall AgriFlexibility was implemented as a flexible source of funds that was used to help the agricultural sector invest in ways to reduce costs and improve production, advance environmental sustainability, expand market reach, and adopt innovative techniques to increase competitiveness. Most AgriFlexibility initiatives were in their infancy stage and should produce benefits or a return on investment over time.

ANNEX A: AGRIFLEXIBILITY PLACEMENT WITHIN AAFC PROGRAM ALIGNMENT ARCHITECTURE AND LOGIC MODEL

Figure 1: Placement of AgriFlexibility within AAFC's Program Alignment Architecture

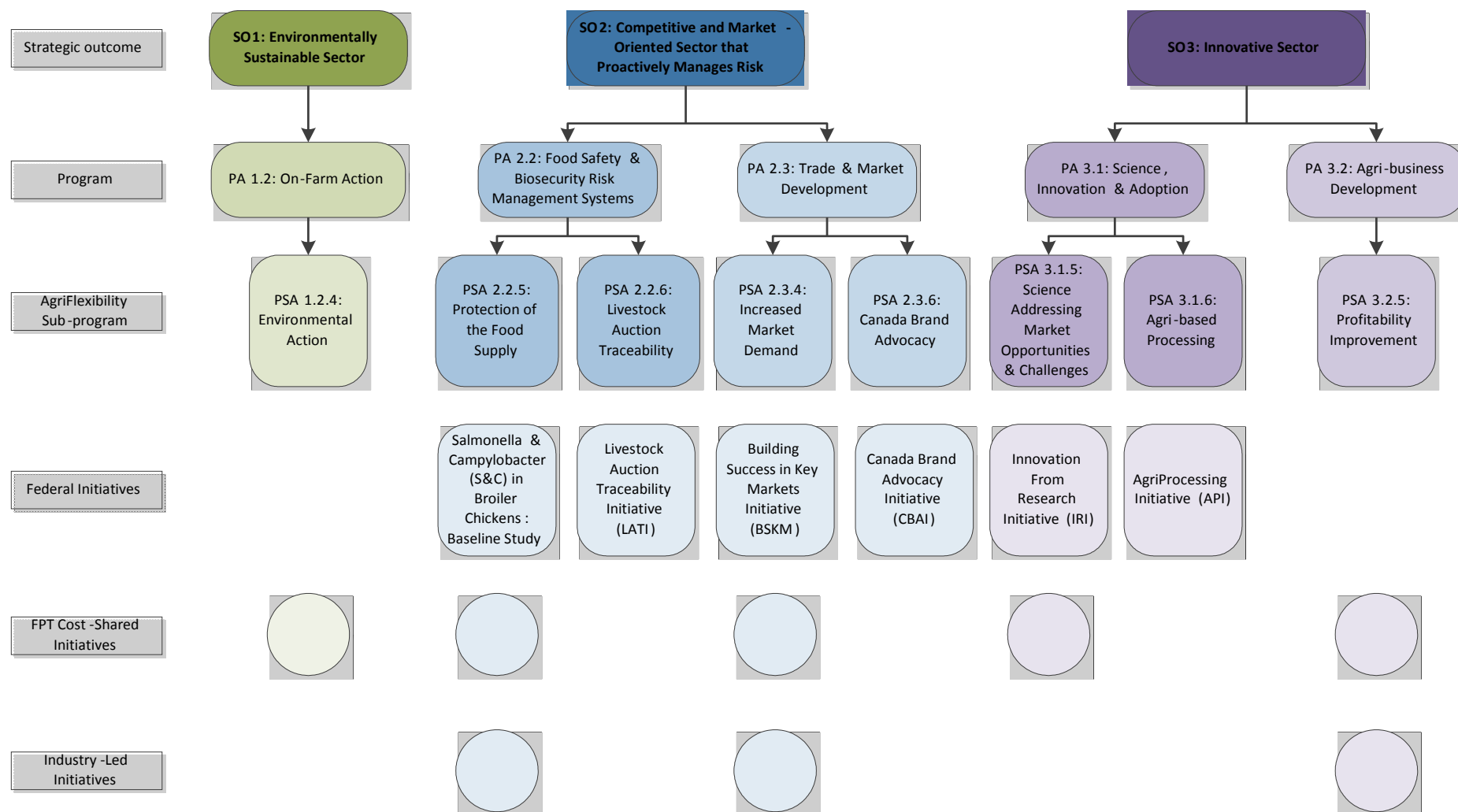
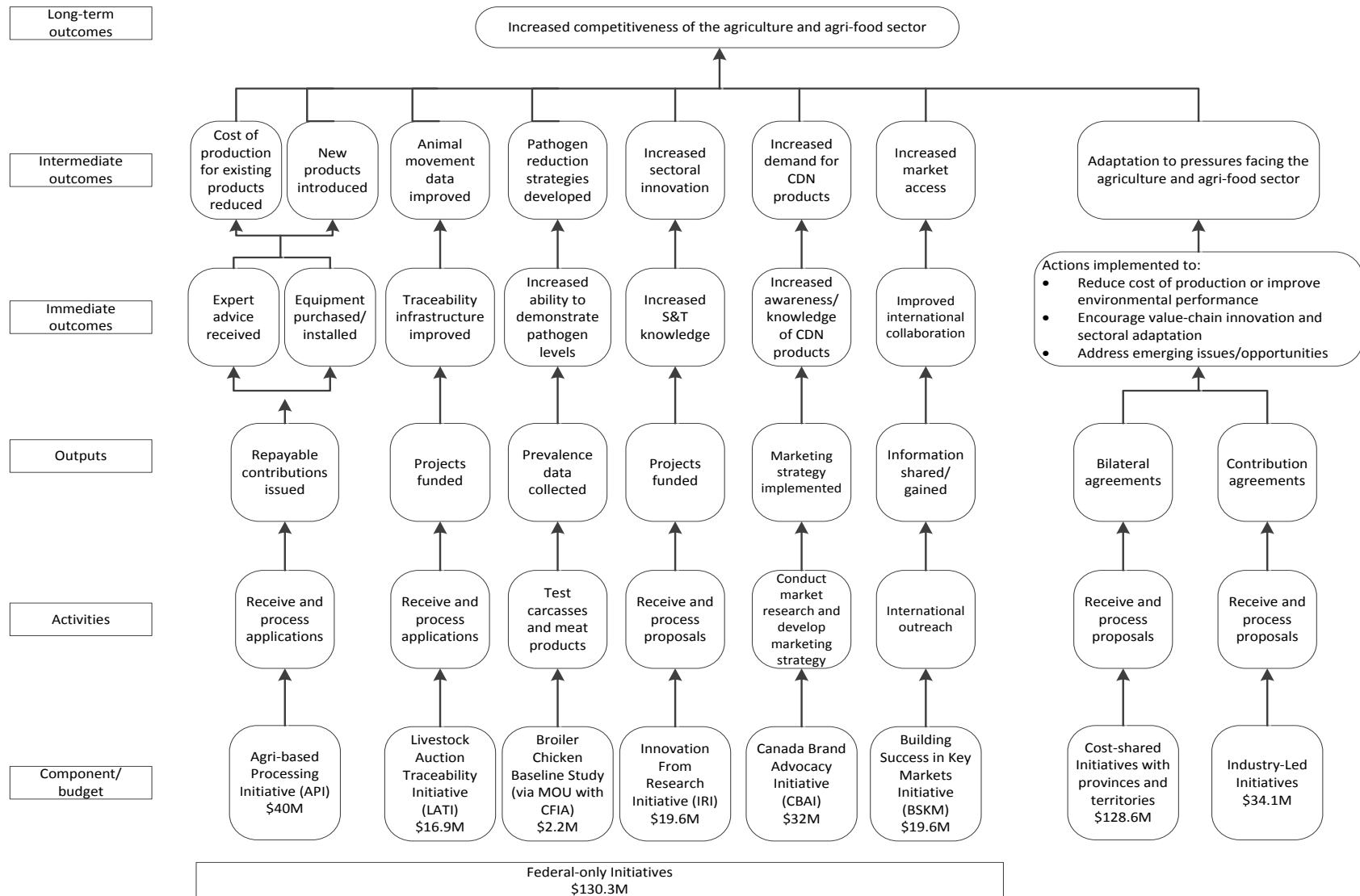


Figure 2: Logic Model for AgriFlexibility



ANNEX B: SELECTION OF FILE REVIEWS / CASE STUDIES / KEY INFORMANTS INTERVIEWS

Table 8: Project File Reviews (n=32)

PAA Element	# of files	Federal-only Initiatives (n=17)	FPT cost-shared Initiatives (n=6)	Industry-led Initiatives (n=9)
1.2.4 Environmental Action	1	Not Applicable	<ul style="list-style-type: none">AB – 001 – Emerging Environmental Market Opportunities	All nine Industry-led Initiatives were reviewed
2.2.5 Protection of the Food Supply	1	Not Applicable	<ul style="list-style-type: none">QC – 002 – Initiative Canada-Québec de soutien à la transformation alimentaire	
2.2.6 Livestock Auction Traceability Initiative	0	Survey of LATI recipients		
2.3.4 Increased Market Demand	1	Not Applicable	<ul style="list-style-type: none">BC – 001 – Ranching Task Force	
2.3.5 Canada Brand Advocacy Initiative	2	<ul style="list-style-type: none">GermanyMexico	Not Applicable	
3.1.5 Science Addressing Market Opportunities and Challenges	3	<ul style="list-style-type: none">RBPI 2509: Detection and enumeration by real-time PCR of food borne pathogens (WBSE T.1800.03)RBPI 2520: Intercropping oilseeds in a potato-based cropping system: opportunities for increased productivity and sustainability (WBSE T.1800.37)RBPI 2616: Enhancing Canola Diversity Through New Genepool Development (WBSE T.1800.22)	Not Applicable	
3.1.6 Agri-based Processing Initiative	12	<ul style="list-style-type: none">API 002- Freybe GourmetAPI 028 – Aliments Prince S.E.C.API 029 – Hemp OilAPI 049 – Brant County BrewingAPI 050 - Shandiz TradingAPI 067 – Fresh HempAPI 075 – Van HoutteAPI 091 – Canada Bread API 095 – Siljan’s Crispy CupAPI 097 – Golden Valley FarmsAPI 100 – Andrew PellerAPI 121 – Hinterland Wine	Not Applicable	
3.2.5 Profitability Improvement	3	Not Applicable	<ul style="list-style-type: none">NB – 001 – Agriculture FuturesQC – 003 – Initiative d'appui au services-conseilsQC – 005 – Initiative d'appui à la modernisation	

Table 9: Number of Key Informants, by Initiative and Type

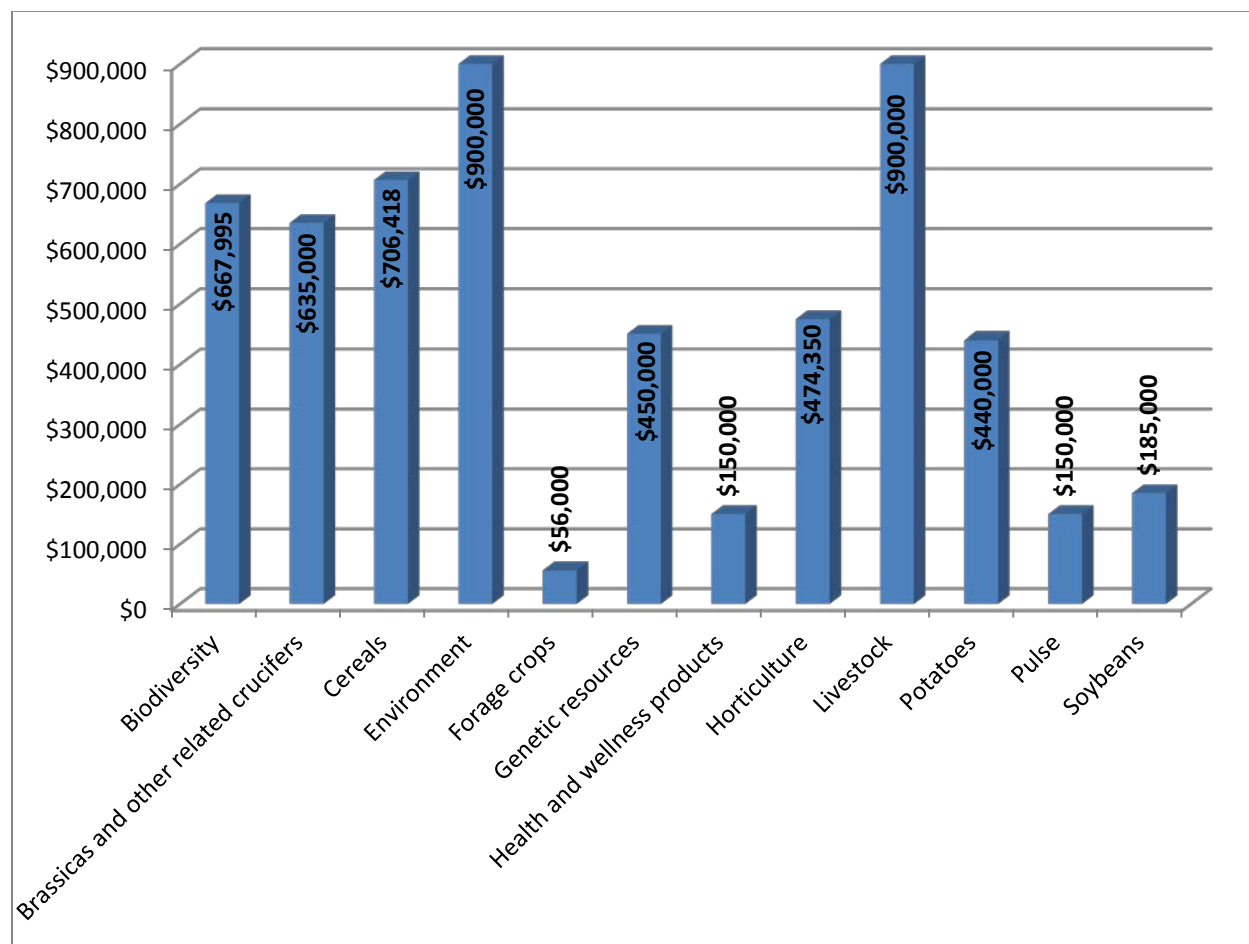
Initiative	Number of Key Informants		
	Internal	External	Total
AgriFlexibility Overall	8	-	8
Livestock Auction Traceability Initiative (LATI)	2	1	3
Building Success in Key Markets (BSKM)	3	2	5
Canada Brand Advocacy Initiative (CBAI)	2	5	7
Innovation from Research Initiative (IRI)	2	-	2
Agri-based Processing Initiative (API)	3	-	3
Salmonella and Campylobacter Baseline Study	-	1	1
FPT cost-shared initiatives	1	-	1
Industry-led initiatives	1	2	3
Total	22	11	33

Table 10: Case Studies (n=18)

PAA Element	Number of Projects	Federal-only Initiatives (n=8)	FPT cost-shared Initiatives (n=7)	Industry-led Initiatives (n=3)
1.2.4 Environmental Action	1	Not Applicable	• PEI – 002 – Renewable Energy Initiative	Not Applicable
2.2.5 Protection of the Food Supply	2	Not Applicable	• National Meat Hygiene Pilot Program • ON – 002 – Value Chain and Sector Information Sharing and Traceability Initiative	Not Applicable
2.2.6 Livestock Auction Traceability Initiative	0	Not Applicable		
2.3.4 Increased Market Demand	6	Building Success in Key Markets (BSKM) (n=2) • Trade Commissioners (China) • Low-level Presence (LLP)	• AB – 003 – New Markets and New Products • Nova Scotia – 003 – Collaborate to Compete Initiative: Exploring Opportunities for Grass Fed Beef Industry In Nova Scotia	• AF1003 Pulse Canada • AF1048 Canola Council of Canada
2.3.5 Canada Brand Advocacy Initiative	0	Covered under extensive project file review		
3.1.5 Science Addressing Market Opportunities and Challenges	4	Innovation from Research Initiative (IRI) (n=3) • RBPI 2517: Étude de l'expression génétique du nématode dorée de l'éclosion et de la dynamique des populations canadiennes soumises à différentes pressions de sélection (WBSE T.1800.05) • RBPI 2518. Integrative genetic and epigenetic strategies to optimize nutrient influence on lipogenesis and hence fatty acid composition in cow milk (WBSE T.1800.09) • RBPI 2634: Systematics of bees: developing new molecular and morphological tools to better understand our beneficial native pollinators (WBSE T.1800.06)	• NF – 002 – Agriculture Research initiative – Alternative Feeds Forage Program	Not Applicable
3.1.6 Agri-based Processing Initiative	3	Agri-based Processing Initiative (API) (n=3) • API 096: Dr. Oetker • API 097: Donald's Fine Foods • API 104: Sugarplum Desserts	Not Applicable	Not Applicable
3.2.5 Profitability Improvement	2	Not Applicable	• QC – 006 – Supporting Strategic Sector Development	• AF1001 Pulse Canada

ANNEX C: INNOVATION FROM RESEARCH INITIATIVE FUNDING BY COMMODITY 2009-2014

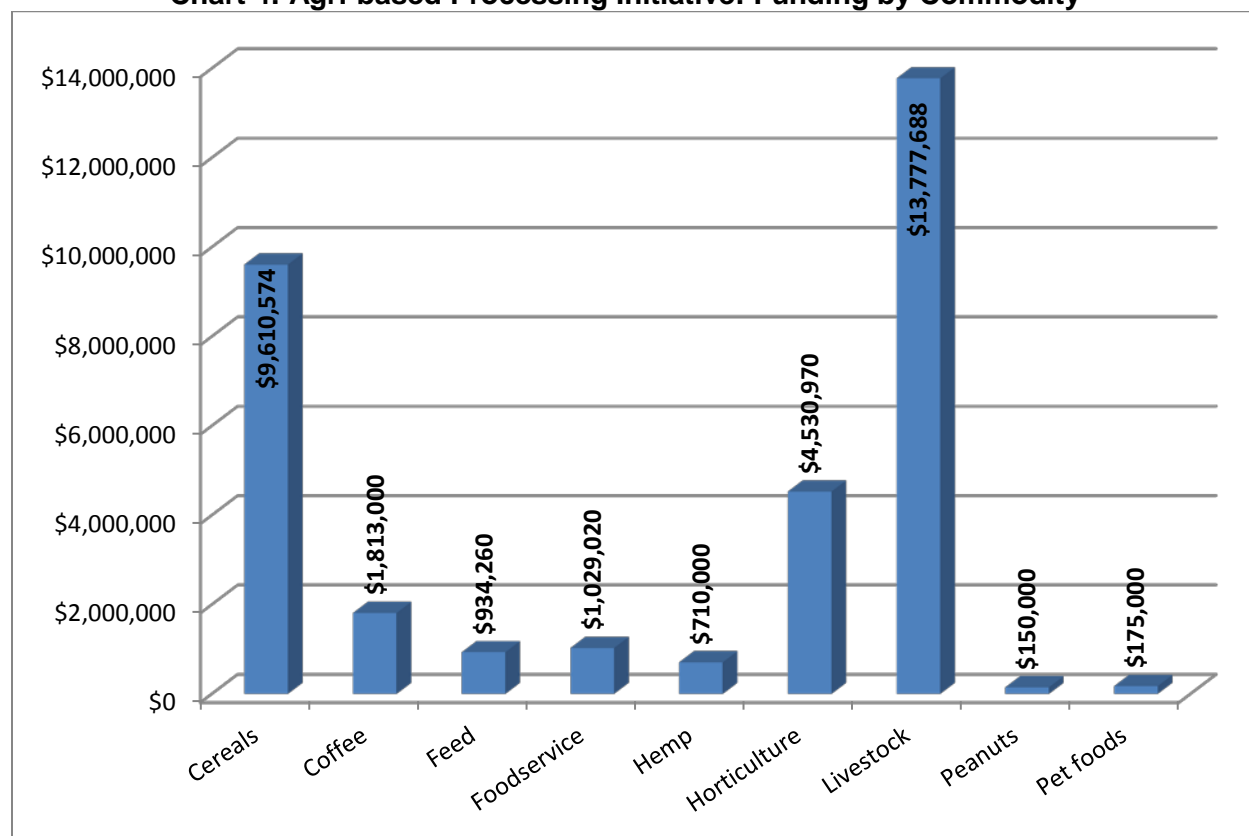
Chart 3: Innovation from Research Initiative: Funding by Commodity⁴⁹



⁴⁹ Financial data are based on budgeted amounts provided by programs. Expenditures were not available for all projects at the time of the evaluation.

ANNEX D: AGRI-BASED PROCESSING INITIATIVE FUNDING BY COMMODITY 2009-2014

Chart 4: Agri-based Processing Initiative: Funding by Commodity⁵⁰



⁵⁰ Based on budgeted project data, expenditures may vary.

ANNEX E: GOVERNANCE STRUCTURE FOR AGRIFLEXIBILITY WITHIN AAFC

1. Farm Financial Programs Branch (FFPB) was responsible for overall AgriFlexibility administration and oversight.
2. The Director General AgriFlexibility (DGAF) Committee, comprised of directors general from across the AAFC, reviewed proposals, verified program eligibility, provided expert advice, and reviewed the financial status and status reports of AgriFlexibility on a regular basis.
3. Policy and Programs Review Board (PPRB) [a board with Assistant Deputy Ministers (ADM) chaired by the ADM of Strategic Policy Branch] was mandated to guide the development and implementation of cohesive and comprehensive policies, programs, and results.
4. PPRB/Horizontal Management Board (HMB) reviewed all proposals, prioritized funding, and ensured a consistent policy approach.
5. Final approval of proposals was granted by the Minister, with a recommendation from the Deputy Minister. Proposals rejected by PPRB/HMB are submitted to the Minister for information. (LATI project approvals were delegated to the ADM level.)

ANNEX F: PROGRAM ALIGNMENT AND LINKAGES

Table 11: Alignment with AAFC's strategic outcomes and linkages with other programs for selected AgriFlexibility initiatives

PAA Element	Program	Alignment
Strategic Outcome 1: An environmentally-sustainable agriculture, agri-food, and agri-based products sector		
1.2.4 Environmental Action	Alberta Emerging Environmental Market Opportunities Initiative	This Initiative targeted the emerging greenhouse gas offset market and environmental footprint coefficients of agriculture products. It encouraged the adoption of agricultural practices that would specifically reduce greenhouse gas emissions, and helped develop and support the agricultural industry to adopt more efficient production methods.
	PEI Renewable Energy Initiative (REI)	This Initiative exposed farm producers to renewable energy sources that, if implemented, will reduce the agriculture sector's consumption of non-renewable fuels in the long-term. REI complemented another provincial program that focussed on making agricultural structures more energy efficient. Once the initial REI energy audit was conducted, and the farmers had an understanding of what their main energy consumption areas were, they could then apply for funding assistance to replace things such as lighting or install more energy efficient sources for heating or drying through the Commercial Sector and Industrial Buildings Program for Energy Incentives. Key informants indicated that they were not aware of any other federal programs that offered similar assistance to farmers as REI.
Strategic Outcome 2: A competitive agriculture, agri-food, and agri-based products sector that proactively manages risk		
2.2.5 Protection of the Food Supply	Ontario Traceability Foundations Initiative	This Initiative supported investments in value-chain innovation or sectoral adaptation and investments to address emerging opportunities and challenges for the sector. It supported the implementation and adoption of industry-led sector and value chain traceability systems. While it was noted that early adopters in some industries developed or are developing traceability systems, others have not started the process. As an example, the chicken industry in Ontario has created a traceability system, primarily motivated by the desire to improve the efficiency of business operations. Additionally, some value-chain groups have taken steps to obtain HACCP and other food safety certifications. It was also noted that these certifications are becoming a business requirement for value chains and specific businesses, especially those in the non-livestock sector (e.g., horticulture, fruits and vegetables, and grain elevators). AgriFlexibility funding enabled Ontario to get more agricultural sub-sectors, in a variety of locations throughout the Province, involved in traceability initiatives.
	National Meat Hygiene Pilot Program	Federal food safety requirements dictate what products trade inter-provincially in Canada. Those requirements involve having preventative control programs, such as Hazard Analysis Critical Control Point (HACCP) certification (which emphasizes the cleanliness and efficiency of food safety and production), and identifying any issues with contamination. Each province determines its own food regulations and legislation that businesses operating within the province must adhere to when processing or selling their goods within that province. This program was guided by CFIA representatives at the federal level, working with provincial agriculture departments and local AAFC branches, although no direct linkages to specific other programs were noted.
2.3.4 Increased Market Demand	Pulse Health, Innovation and Commercialization	This Project had the objective of diversifying the market base for Canadian pulses by creating "new use" demand (Pulse Canada, 2009a): ⁵¹ <ul style="list-style-type: none"> Through this project, the Canadian pulse industry hoped to create and capture new market demand by focusing on innovation in consumer demand growth areas of health, nutrition and the environment in markets that could have the potential to use pulses as food and feed delivering value for both consumers and producers.

⁵¹ Pulse Canada (2009). Innovative Solutions to Transportation Challenges in the Canadian Pulse and Special Crops Industry: Industry Proposal Form.

PAA Element	Program	Alignment
	Canola Market Access Plan	This project was led by the Canola Council of Canada (CCC) on behalf of the Canadian canola industry. The project was designed to produce a comprehensive strategy for Canada's canola sector that addresses export market issues and, in turn, supports profitability for canola farmers. ⁵² The strategy developed by the project complements the canola industry's 2015 Growing Great strategic plan, which set out a target for the Canadian canola industry to reach "15 million tonnes of sustained market demand and production of canola by 2015". ⁵³
	Alberta New Markets and New Products	Key informants reported that AgriFlexibility funding enabled the federal and provincial governments to build on work that was already being done in this area.
Strategic Outcome 3: An innovative agriculture, agri-food, and agri-based products sector		
3.1.5 Science Addressing Market Opportunities and Challenges	Newfoundland Agriculture Research Initiative (ARI)	<p>This Initiative was intended to improve the competitiveness of the agriculture and agri-food industry in Newfoundland, reduce cost of production for producers, and increase environmental sustainability. It aimed to accomplish this by undertaking scientific research related to industry priorities.</p> <p>Information gathered suggested that ARI did not duplicate any other federal initiatives. Provincial representatives indicated that ARI would not have been implemented without cost-shared funding from the federal government and that, following the sun-setting of AgriFlexibility, Newfoundland intends to continue with a scaled-back version of ARI, which focusses on grain research.</p>
3.2.5 Profitability Improvement	Innovative Solutions to Transportation Challenges in the Canadian Pulse and Special Crops Industry	<p>This Project was led by Pulse Canada, who served as a "steward of the pulse and special crops transportation system" by measuring the performance of the pulse and special crop supply chain system, identifying failures, and then working together with partners to develop and implement solutions.⁵⁴</p> <p>The Project aimed to improve access to transportation equipment and improve service from transportation service providers.⁵⁵ The project aimed to increase farm profits, increase the competitiveness of industry, and enhance its global reputation as "a consistent and reliable supplier of pulses and special crops".⁵⁶</p>

⁵² Canola Council of Canada (2009). Agricultural Flexibility Fund (AgriFlexibility) Industry Proposal Form (AFI0048).

⁵³ Canadian Canola Market Access Rapid Response Plan (2011). http://www.canolacouncil.org/media/533615/long-term%20strategy_v8_LR.pdf

⁵⁴ Pulse Health, Innovation, and Commercialization Project: Agricultural Flexibility Fund Industry Proposal Form.

⁵⁵ Pulse Canada (2009). Innovative Solutions to Transportation Challenges in the Canadian Pulse and Special Crops Industry: Agricultural Flexibility Fund Industry Proposal Form

⁵⁶ Pulse Canada (2009). Pulse Health, Innovation, and Commercialization Project: Agricultural Flexibility Fund Industry Proposal Form.

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