



**Canadian Grain Commission** **Commission canadienne  
des grains**

# **Quarterly Financial Report**

**Canadian Grain Commission  
Statement Outlining Results, Risks, and Significant Changes in Operations,  
Personnel, and Programs (Unaudited)**

**For the quarter ended June 30, 2020**

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## 1.0 Introduction

This quarterly financial report should be read in conjunction with the [Main Estimates and Supplementary Estimates](#). It has been prepared by Canadian Grain Commission (CGC) management as required by section 65.1 of the [Financial Administration Act](#) and is in the form and manner prescribed by the Treasury Board Accounting Standard 1.3. This quarterly report has not been subject to an external audit or review.

### 1.1 Authority, Mandate and Program Activities

The CGC was established in 1912 and is the federal government department responsible for administering the provisions of the [Canada Grain Act](#) (CGA).

The CGC's mandate as set out in the act is to, "in the interests of the grain producers, establish and maintain standards of quality for Canadian grain and regulate grain handling in Canada, to ensure a dependable commodity for domestic and export markets".

The CGC's vision is "To be a world class, science-based quality assurance provider". The Minister of Agriculture and Agri-Food is responsible for the CGC.

The CGC's Core Responsibility is Grain Regulation, or, to regulate grain handling in Canada and to establish and maintain science based standards for Canadian grain. The Commission regulates the handling of 20 grains<sup>1</sup> grown in Canada to protect producer rights and to ensure the integrity of grain transactions.

The CGC's Departmental Results are that domestic and international markets regard Canadian grain as dependable and safe, and that farmers are fairly compensated for their grain. The CGC has three programs: Grain Quality, Grain Research and Safeguards for Grain Farmers. Internal Services supports these programs.

Further details on the CGC's authority, mandate, and programs may be found in the [Departmental Plan](#), the [Departmental Results Report](#), and the [Main Estimates](#).

### 1.2 Basis of Presentation

This quarterly report has been prepared by management using an expenditure basis of accounting (modified cash) and a special purpose financial reporting framework designed to meet financial information needs with respect to the use of spending authorities. The accompanying [Statement of Budgetary Authorities](#) compares the department's spending authorities granted by Parliament to those used by the department. Information in the Statement of Authorities is consistent with that in the [Main Estimates and Supplementary Estimates](#).

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

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The authority of Parliament is required before moneys can be spent by the Government. Approvals are given in the form of annually approved limits through [Appropriations Acts](#) or through legislation in the form of statutory spending for specific purposes.

As part of the Parliamentary business of supply, the Main Estimates must be tabled in Parliament on or before March 1 preceding the new fiscal year.

The CGC uses the full accrual method of accounting to prepare and present its annual departmental financial statements included in the [Departmental Results Report](#). However, the spending authorities voted by Parliament are on an expenditure basis (modified cash) of accounting.

### **1.3 CGC Financial Structure**

CGC programs and activities are funded through a combination of revolving fund (based on service fees) and appropriation sources. Approximately 91 percent of CGC costs are funded through its service fees. The CGC funding structure is based on budgetary authorities that are comprised of both statutory and voted (non-statutory) authorities. The statutory authorities include employee benefit plan authority for appropriation-funded personnel costs and CGC revolving fund authority, which allows the CGC to re-spend fees that it has collected. The voted authority is Vote 1 – Program Expenditures, which includes annual appropriation authority and any one-time ad hoc appropriation authority for the fiscal year.

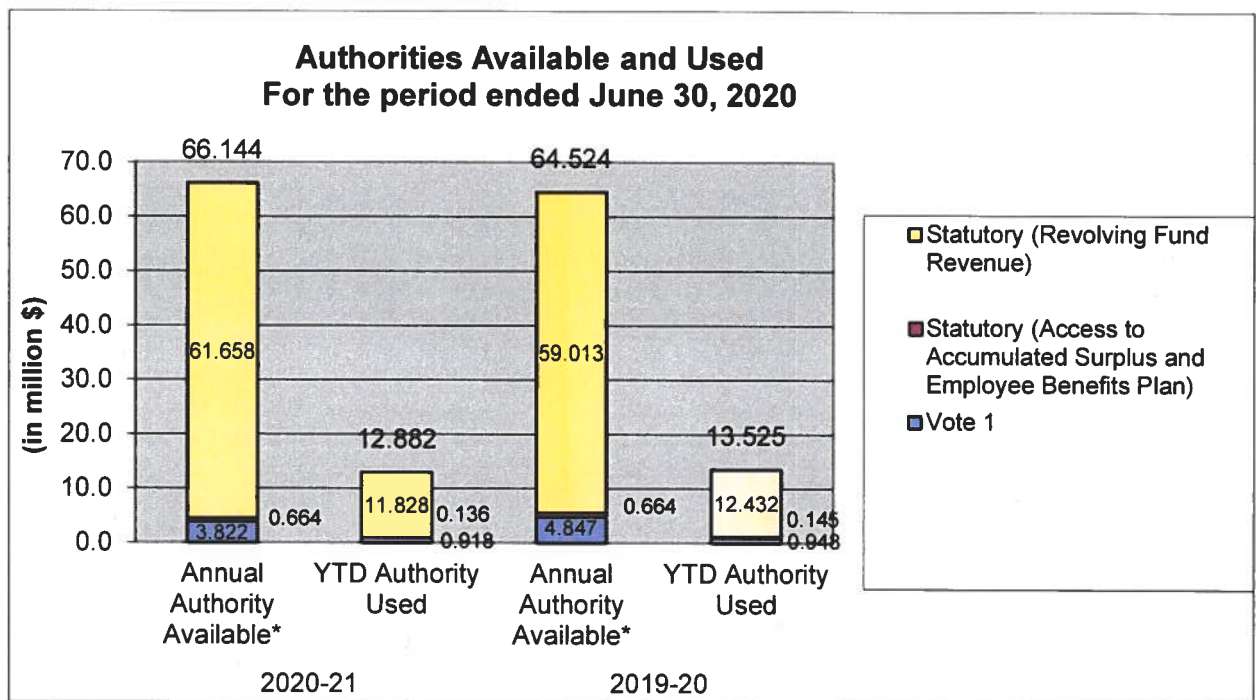
From 2013 through 2018, CGC fees were based on a funding model that used a historical average grain volume to forecast revenue projections. However, the actual volume of grain inspected and weighed was underestimated due to an unprecedented increase in production. Combined with relatively stable operating costs, this led to an accumulated revolving fund surplus of approximately \$134.334 million as of March 31, 2019 in the Public Accounts of Canada.

In response to the surplus situation, the CGC implemented a new model for forecasting annual grain volumes and revenue projections that uses an updated time-series analysis model. The updated model mitigates the risk of significant accumulation of additional surplus and better aligns fees with the cost of service provision. As a result, the CGC reduced fees for official inspection and official weighing services, effective August 1, 2017. Further fee updates came into effect April 1, 2018, to better align revenues and costs. The next fee review in the five-year fee review cycle is scheduled for 2023.

The CGC's revenue projections for 2020-21 and beyond are based on the funding model identified in the [2017 User Fees Consultation and Pre-Proposal Notification](#) and fees published in the [Canada Gazette, Part II](#) in March 2018. This includes a revised annual grain volume projection of 34.405 million metric tonnes and fees as set out in [Schedule I of the Canada Grain Regulations](#). Planned revenue projections and full time equivalents (FTEs) for 2020-21 and beyond are available in the CGC's [2020-21 Departmental Plan](#).

## 2.0 Highlights of Fiscal Year to Date

This section highlights any significant items that affected the year-to-date results and/or contributed to the net change in resources available for the year and actual expenditures. It should be read in conjunction with the [Statement of Budgetary Authorities](#) and the [Departmental Budgetary Expenditures by Standard Object](#), which can be found at the end of this report.



\* Authority available based on amounts requested through the Estimates process. Amounts detailed in Statement of Authorities.

## 2.1 Authority Available Analysis

As reflected in the [Statement of Budgetary Authorities](#), the department's total authority available for use (net of Revolving Fund revenue) in the fiscal year as at June 30, 2020 is \$6.593 million, as compared to \$6.141 million as at June 30, 2019. The increase in authority of \$0.452 million is primarily the result of enhancement of the Harvest Sample Program funding and additional ongoing funding received to respond to the settlement of collective agreements. To quarter ended June 30, 2020, the Canadian Grain Commission has received 9/12ths of its amounts requested through the Estimates process. The Canadian Grain Commission expenditures will temporarily be supported by the revolving fund until Full Supply is received.

## **2.2 Authority Used Analysis**

As reflected in the [Departmental Budgetary Expenditures by Standard Object](#), the department's total budgetary authority used in the quarter ended June 30, 2020 is (\$1.500 million), as compared to (\$0.609 million) as at the quarter ended June 30, 2019. The change of (\$0.891 million) in total budgetary authority used can be attributed to:

1. The overall increase of \$0.248 million in revenues received in the quarter ended June 30, 2020 primarily due to increased grain volumes handled; and
2. The overall decrease of \$0.643 million in expenditures, primarily a result of the following variances:
  - a. Personnel expenditures decreased by \$0.531 million as compared to the same quarter last year, primarily due to suspension of temporary staffing;
  - b. Transportation and communication expenditures decreased by \$0.228 million as compared to the same quarter last year, primarily due to a significant reduction in travel as a result of COVID-19 restrictions on non-essential travel;
  - c. Rental expenditures increased by \$0.196 million as compared to the same quarter last year, primarily due to enhancement of remote information technology access capacity during the COVID-19 pandemic;
  - d. Utilities, materials and supplies expenditures decreased by \$0.180 million as compared to the same quarter last year, primarily due to employees working from home during the COVID-19 pandemic; and
  - e. Acquisition of machinery and equipment expenditures increased by \$0.190 million as compared to the same quarter last year, primarily due to the purchase of equipment to support the Harvest Sample Program.

## **3.0 Risks and Uncertainties**

Certain financial, economic and environmental conditions may impact the CGC and its financial results. COVID-19, the CGC's accumulated surplus, and revenue uncertainty have been identified as current risks. Strategies have been identified to mitigate these uncertainties.

### **3.1 COVID-19**

The outbreak of the coronavirus disease (COVID-19) has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and physical distancing, have caused material disruption to businesses globally resulting in an economic slowdown.

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To ensure the health and safety of its employees during the COVID-19 pandemic, the CGC activated its Business Continuity Plan in March 2020. Under this plan, staffing was reduced at each waterfront or regional office location. Activities directly associated with official inspection and weighing of grain for export and submitted samples service delivery model were modified. However the CGC continued to provide grading results, Certificates Final, and other documentation with no changes. The plan allowed the CGC to effectively deliver on its mandate while reducing the number of staff working on-site to only those required for essential functions that could not be performed remotely.

Between the months of April and June, the CGC continued to support critical functions and resumed priority activities in the laboratories. Adjustments have been made to program delivery processes to ensure physical distancing and mitigate risk of virus transmission in accordance with public health direction. Decisions were taken with consideration of information available from Central agencies, provincial and federal health authorities with employee's safety as the number one goal.

In alignment with Government of Canada direction, employees who can perform their duties remotely will continue to work from home for the foreseeable future.

Over the next several months, the CGC will continue implementing its business recovery plan, which provides for a phased recovery that gradually expands its focus from critical services to providing all services that were provided prior to the pandemic. The business recovery process also presents an opportunity to improve and streamline the CGC's business based on lessons learned during the pandemic. This includes initiatives to move to more virtual engagement and service delivery and electronic documentation.

### **3.2 Surplus and Canada Grain Act**

To address the accumulated surplus, the CGC announced a Surplus Investment Framework on August 1, 2018. The investment framework proposes to retain \$40 million as a contingency operating reserve to prepare for the possibility of future declines in grain volumes, while allowing for strategic investment of \$90 million in three key areas:

- Strengthening safeguards for producers
- Investing in grain quality assurance
- Enhancing grain quality science and innovation

As part of the investment framework, the CGC made enhancements to the Harvest Sample Program beginning in the 2018-19 crop year. The Harvest Sample Program now provides deoxynivalenol (DON, also known as vomitoxin) and Falling Number<sup>2</sup> results for wheat samples, and DON results for corn samples. Producers can use this quality information to help make marketing and delivery decisions. The CGC has allocated \$4 million to fund these enhancements to the Harvest Sample Program over five years.

When the investment framework was announced, the CGC committed to working with stakeholders and stated its intent to consult the sector on further investment initiatives. At that time, the CGC envisioned rolling out investments over a two-year time frame.

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<sup>2</sup> The Falling Number test evaluates the amount of alpha-amylase found in sprout damage in Canadian wheats, which impacts baking performance.

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However, this timeline was subsequently delayed as a result of Budget 2019's announcement of a Canada Grain Act review to ensure alignment between the two processes.

### **3.3 Revenue Uncertainty**

The CGC receives funding through voted appropriations and fees related to services and licences it provides to the grain sector. Fees revenue is largely based on grain volumes, which fluctuate from year to year. In addition, grain volumes are not fully known prior to commencement of the fiscal year. This can result in significant variances between CGC projected revenues and actual revenues. Because actual grain volumes vary from year to year, in years with higher-than-average grain volumes, revenues may exceed costs and the CGC could accumulate surpluses (shown as unused authority carried forward in Public Accounts). In years with lower-than-average grain volumes, revenues could be less than costs and the CGC would be required to draw on its surpluses.

During the first quarter, the CGC has handled above average grain volumes resulting in a first quarter surplus in the revolving fund. Even though CGC's revenue risk is reduced, the Canadian grain sector continues to face uncertainty regarding access to international markets due to heightened market sensitivity related to grain quality and safety issues. Restricted access has potential to result in lower than expected grain volumes and revenues. The annual budget is reviewed throughout the year to accommodate shifting needs and priorities, including risk mitigation strategies that enable the CGC to accommodate up to a 20 percent variance in forecasted grain volumes.

## **4.0 Significant Changes to Operations, Personnel, and Programs**

Over the last 10 years, the grain sector has experienced a period of significant transformation. In order to add value and deliver clear results to this dynamic sector, since fiscal 2012-13 the CGC has streamlined operations and become a financially sustainable organization.

Planned operational spending has stabilized at approximately \$66 million. Planned human resource requirements are approximately 450 FTEs. As part of its Business Continuity Plan, the CGC implemented temporary changes to its service delivery at its waterfront or regional offices to reduce the amount of staff onsite but still allow CGC to still deliver its mandate. Activities directly associated with official inspection and weighing of grain for export and submitted samples service delivery model were modified. However the CGC continued to provide grading results, Certificates Final, and other documentation with no changes.

During the 1st quarter of 2020-21 and going forward, the following changes to executive management structure have or will take place:

- Patricia Miller, the Chief Commissioner and Deputy Head, has retired effective June 26, 2020. Doug Chorney, the Assistant Chief Commissioner, has assumed the role of acting Chief Commissioner.



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- Michelle Dedieu will re-assume the role of acting Director, Industry Services, effective July 2, 2020, until March 31, 2021. Gino Castonguay will re-assume the role of Chief Grain Inspector for Canada.
- Ruth Moulton, the acting Director of Human Resources, has retired effective June 26, 2020. Phillip Insisienmay has assumed the role of acting Director, Human Resources.

Since the COVID-19 pandemic was declared in the middle of March, the Canadian government as a whole has directed that all employees, where possible, work from home. To date, the majority of CGC employees are working from home. A small percentage of staff have been allowed to return to the offices because their duties cannot be completed at home. Safety protocols and additional sanitation procedures have been established to ensure the safety of CGC employees.

**Approval by Senior Official**

Approved by:



Doug Chorney  
Acting, Chief Commissioner  
Winnipeg, Manitoba  
August 25, 2020



Cheryl Blaher  
Chief Financial Officer  
Winnipeg, Manitoba  
August 20, 2020

## Statements of Budgetary Authorities (Unaudited)

For the quarter ended June 30, 2020

(in thousands of dollars)	Fiscal Year 2020-21			Fiscal Year 2019-20		
	Total available for use for the year ending March 31, 2021*	Used during the quarter ended June 30, 2020	Year-to date used at quarter end	Total available for use for the year ending March 31, 2020*	Used during the quarter ended June 30, 2019	Year-to date used at quarter end
<b>Vote 1</b>						
<b>Appropriation including Ad hoc</b>	<b>\$ 3,822</b>	<b>918</b>	<b>918</b>	<b>4,847</b>	<b>948</b>	<b>948</b>
<b>Statutory Authorities:</b>						
<b>Revolving Fund Gross Expenditures</b>	61,658	11,828	11,828	59,013	12,432	12,432
<b>Revolving Fund Gross Revenues</b>	(59,551)	(14,382)	(14,382)	(58,383)	(14,134)	(14,134)
<b>Revolving Fund Net Expenditures</b>	<b>\$ 2,107</b>	<b>(2,554)</b>	<b>(2,554)</b>	<b>\$ 630</b>	<b>(1,702)</b>	<b>(1,702)</b>
<b>Employee Benefit Plan</b>	664	136	136	664	145	145
<b>Total Statutory Authorities</b>	<b>2,771</b>	<b>(2,418)</b>	<b>(2,418)</b>	<b>1,294</b>	<b>(1,557)</b>	<b>(1,557)</b>
<b>Total Budgetary Authorities</b>	<b>\$ 6,593</b>	<b>(1,500)</b>	<b>(1,500)</b>	<b>\$ 6,141</b>	<b>(609)</b>	<b>(609)</b>

\* Includes only Authorities available for use and requested by Parliament, at quarter-end the Canadian Grain Commission had received 9/12 of the amounts requested in the Estimates process.  
 Due to rounding, totals may not add to totals shown.

## Departmental Budgetary Expenditures by Standard Object (Unaudited)

For the quarter ended June 30, 2020

(in thousands of dollars)	Fiscal Year 2020-21			Fiscal Year 2019-20		
	Planned Expenditures for the year ending March 31, 2021*	Expended during the quarter ended June 30, 2020	Year-to date used at quarter end	Planned Expenditures for the year ending March 31, 2020*	Expended during the quarter ended June 30, 2019	Year-to date used at quarter end
<b>Expenditures:</b>						
Personnel	\$44,906	10,330	10,330	\$44,301	10,861	10,861
Transportation and communications	3,113	194	194	2,979	422	422
Information	289	43	43	190	22	22
Professional and special services	2,728	76	76	2,868	106	106
Rentals	8,516	1,587	1,587	6,534	1,391	1,391
Repair and Maintenance	1,365	177	177	1,552	221	221
Utilities, materials and supplies	2,496	63	63	2,207	243	243
Acquisition of machinery and equipment	2,731	410	410	3,893	220	220
Other Subsidies and payments	0	2	2	0	39	39
<b>Total Gross Budgetary Expenditures</b>	<b>66,144</b>	<b>12,882</b>	<b>12,882</b>	<b>64,524</b>	<b>13,525</b>	<b>13,525</b>
Revolving Fund Revenue (To be credited to Vote)	(59,551)	(14,382)	(14,382)	(58,383)	(14,134)	(14,134)
<b>Total Net Budgetary Expenditures</b>	<b>\$ 6,593</b>	<b>(1,500)</b>	<b>(1,500)</b>	<b>\$ 6,141</b>	<b>(609)</b>	<b>(609)</b>

\* Includes only Authorities available for use and granted by Parliament at quarter-end. Due to rounding, totals may not add to totals shown.