



Agriculture and
Agri-Food Canada

Agriculture et
Agroalimentaire Canada

AGRICULTURE AND AGRI-FOOD CANADA

**Quarterly Financial Report
For the quarter ended June 30, 2019**

AGRICULTURE AND AGRI-FOOD CANADA

Statement outlining results, risks and significant changes in operations, personnel and programs

Introduction

Agriculture and Agri-Food Canada's Quarterly Financial Report should be read in conjunction with the Main Estimates. This report has been prepared as required by section 65.1 of the *Financial Administration Act* and in the form and manner prescribed by the Treasury Board. As such, it has not been subject to an external audit or review.

Detailed information on Agriculture and Agri-Food Canada's program activities can be found in the [Departmental Plan](#).

Basis of Presentation

This quarterly report has been prepared using an expenditure basis of accounting. The accompanying Statement of Authorities includes the Department's spending authorities granted by Parliament and those used by the Department consistent with the Main Estimates for the 2019-2020 fiscal year. This quarterly report has been prepared using a special purpose financial reporting framework designed to meet financial information needs with respect to the use of spending authorities.

The authority of Parliament is required before monies can be spent by the Government. Approvals are given in the form of annually approved limits through appropriation acts or through legislation in the form of statutory spending authority for specific purposes.

The Department uses the full accrual method of accounting to prepare and present its annual departmental financial statements that are part of the departmental performance reporting process. However, the spending authorities voted by Parliament remain on an expenditure basis.

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Highlights of fiscal quarter and fiscal year-to-date (YTD) results

Authorities

Agriculture and Agri-Food Canada's Quarterly Financial Report reflects the results of the 2019-2020 fiscal period ending June 30, 2019, for which full supply of Main Estimates was released on June 25, 2019.

At the end of the first quarter of 2019-2020, Agriculture and Agri-Food Canada had total funding available for use of \$2,511.8 million as detailed in Table 1. This amount includes the 2019-2020 Main Estimates of \$2,500.0 million, \$9.6 million related to proceeds collected from the sale of Crown assets, and \$2.3 million for Enhancing Trading Services for Agricultural Exporters. The net decrease of \$13.5 million compared to total authorities at the same time in fiscal year 2018-2019 is due to decreases in Budgetary Statutory authorities, Vote 5 Capital authorities, and Vote 10 Grants and Contributions; partially offset by new authority of Vote 15 - A Food Policy for Canada, as well as an increase in Vote 1 Net Operating authorities.

Vote 1 Net Operating authorities as of June 30, 2019 totalled \$574.7 million, an increase of \$6.2 million from the June 30, 2018 amount of \$568.5 million. This increase is mainly due to funding of \$11.3 million related to Advancing Agricultural Discovery Science and Innovation Initiative, \$4.0 million related to the fact that 2018-2019 included transfers from Vote 1 Operating to Vote 5 Capital, which is not applied in 2019-2020, a \$1.6 million in support of Agricultural exporters and standard-setting bodies, and a \$1.5 million for A Food Policy for Canada. These increases are partially offset by a reduction of \$12.0 million funding that was included in the 2018-2019 Main Estimates to address retroactive bargaining obligations.

Vote 5 Capital authorities at the end of the first quarter of 2019-2020 totalled \$40.5 million, a decrease of \$14.4 million from the June 30, 2018 amount of \$54.9 million. This decrease is primarily due to a reduction of \$11.0 million with the sunseting of the Federal Infrastructure Initiatives, \$4.0 million related to the fact that 2018-2019 included transfers from Vote 1 Operating to Vote 5 Capital, which is not applied in 2019-2020; partially offset by an increase of \$1.5 million funding in Advancing Agricultural Discovery Science and Innovation Initiative.

Vote 10 Grants and Contributions authority of \$419.7 million as of June 30, 2019 reflects a decrease of \$5.8 million from \$425.5 million at the same time in 2018-2019. This is primarily attributed to a decrease of \$11.0 million related to investments in the Dairy sector, and partially offset by a \$3.0 million increase in the Agricultural Clean Technology Program and a \$2.5 million increase in Living Laboratories Initiatives.

Vote 15 - A Food Policy for Canada is a Budget Implementation Vote in support of a healthier and more sustainable food system for Canada. Total authority for A Food Policy for Canada in

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2019-2020 Main Estimates is \$19.0 million, \$17.1 million has been reprofiled to future years, leaving a balance of \$1.9 million in 2019-2020.

Budgetary Statutory authorities available as of June 30, 2019 were \$1,459.4 million, a decrease of \$17.0 million from the June 30, 2018 amount of \$1,476.4 million. This is mainly due to a \$17.3 million decrease in the AgriInvest program resulting from program changes.

Graph 1: Comparison of Authorities Available for Use

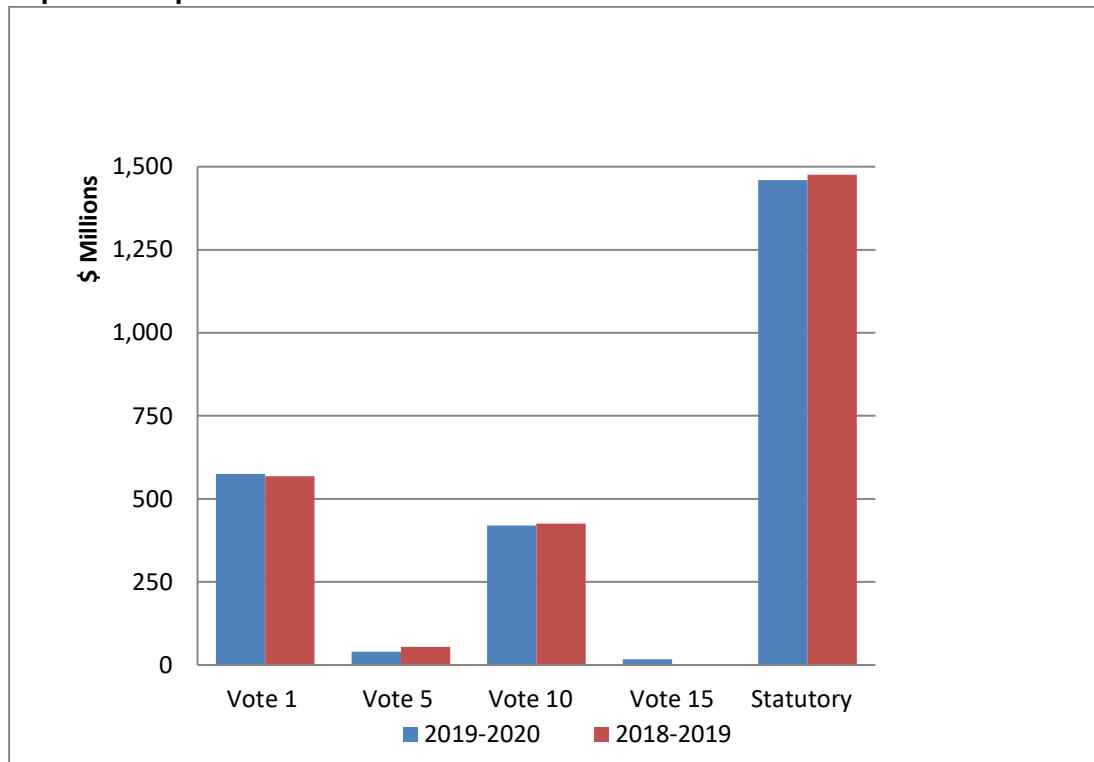


Table 1: Authorities Available for Use (In thousands of dollars) ⁽¹⁾

Authorities	2019-2020	2018-2019	Variiances	Percent
Vote 1 - Net Operating expenditures	574,688	568,454	6,234	1%
Vote 5 - Capital expenditures	40,505	54,888	(14,383)	(26%)
Vote 10 - Grants and Contributions	419,735	425,525	(5,790)	(1%)
Vote 15 - A Food Policy for Canada	17,486	-	17,486	100%
Budgetary statutory authorities	1,459,369	1,476,391	(17,022)	(1%)
Total Authorities	2,511,783	2,525,258	(13,475)	(1%)

Note:

(1) Totals may not add due to rounding.

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Expenditures

As detailed in Table 2, at the end of the first quarter of 2019-2020, the Department had spent \$244.0 million, compared to \$179.0 million in the same period in fiscal year 2018-2019, an increase of \$65.0 million.

Vote 1 Net Operating expenditures at the end of the first quarter were \$153.0 million, 27% of the total available for use of \$574.7 million, which is \$30.0 million more than expenditures of \$123.0 million or 22% of the total available for the same period last fiscal year. The increase of \$30.0 million was primarily attributed to a \$28.3 million increase due to an accounting entry related to an Other Government Department (OGD) loan that was subsequently reversed.

Vote 5 Capital expenditures at the end of the first quarter were \$1.4 million or 4% of the total available for use of \$40.5 million, a slight decrease of \$0.4 million compared to \$1.9 million in 2018-19.

Vote 10 Grants and Contributions expenditures at the end of the first quarter of 2019-2020 were \$38.5 million or 9% of the total available for use of \$419.7 million, compared to \$8.2 million, or 2% of the total available for use for the same period last fiscal year. The increase of \$30.3 million is mainly attributed to two factors: a \$20.0 million increase in the AgriScience program, the Canadian Agricultural Partnership cost shared program, and the AgriInnovate program, mainly due to 2019-2020 being the second year of implementation of the Canadian Agricultural Partnership, as well as a \$9.0 million increase in the Dairy Farm Investment Program due to increased spending in support of the Dairy sector.

Budgetary Statutory Authorities expenditures at the end of the first quarter of 2019-2020 were \$51.1 million compared to \$46.0 million for the same period of the previous year. The \$5.1 million increase is mainly attributed to a \$12.7 million decrease in recoveries under the Assistance to the Pork Industry Initiative. This was partially offset by a \$5.8 million decrease in the AgriInsurance Program and a \$2.2 million decrease in the AgriInvest program due to industry conditions.

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Graph 2: Comparison of Expenditures

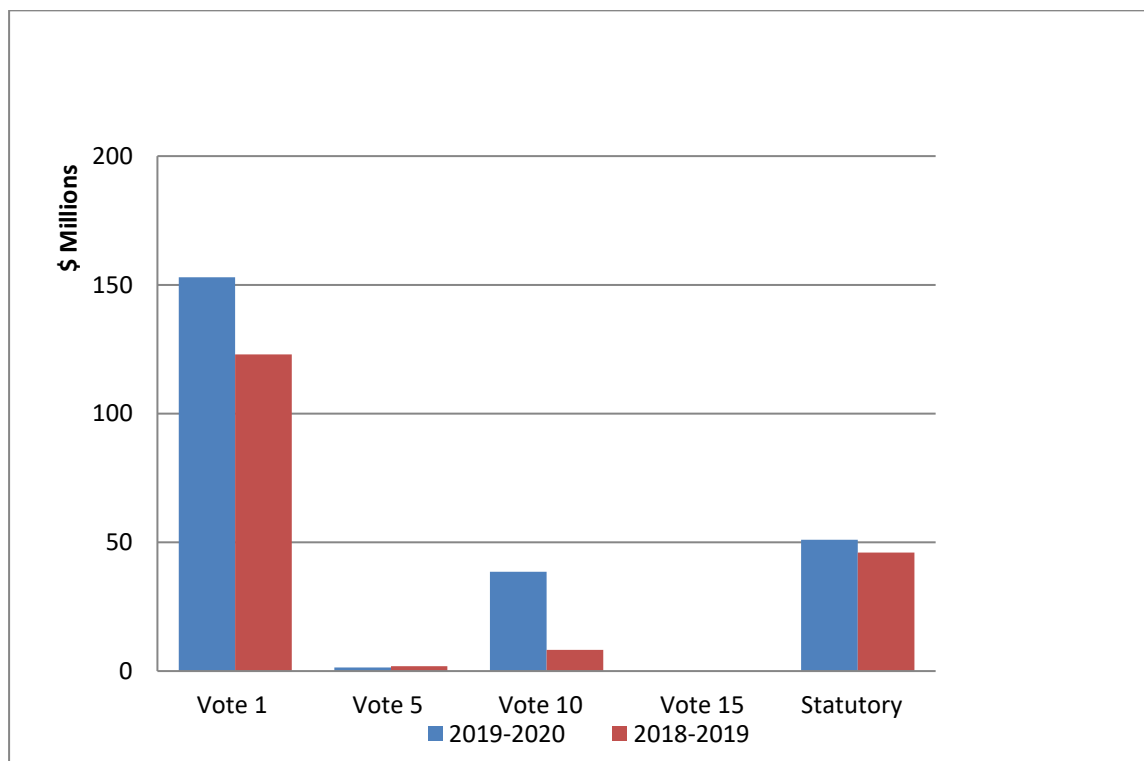


Table 2: Expenditures (In thousands of dollars) ⁽¹⁾

Expenditures	2019-2020	2018-2019	Variance	Percent
Vote 1 - Net Operating expenditures	152,972	122,958	30,014	24%
Vote 5 - Capital expenditures	1,440	1,874	(434)	(23%)
Vote 10 - Grants and Contributions expenditures	38,537	8,191	30,346	370%
Vote 15 - A Food Policy for Canada	-	-	-	0%
Budgetary statutory expenditures	51,059	46,006	5,053	11%
Total Net Budgetary Expenditures	244,008	179,029	64,979	36%

Note:

(1) Totals may not add due to rounding.

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Expenditures in Comparison to Authorities

At the end of the first quarter of 2019-2020, the Department had spent \$244.0 million (10% of the total funding available for use), compared to \$179.0 million for the same period in fiscal year 2018-2019 (7% of the total funding available for use).

Graph 3: Comparison of Total Authorities and Total Net Budgetary Expenditures as of June 30, for fiscal years 2019-2020 and 2018-2019

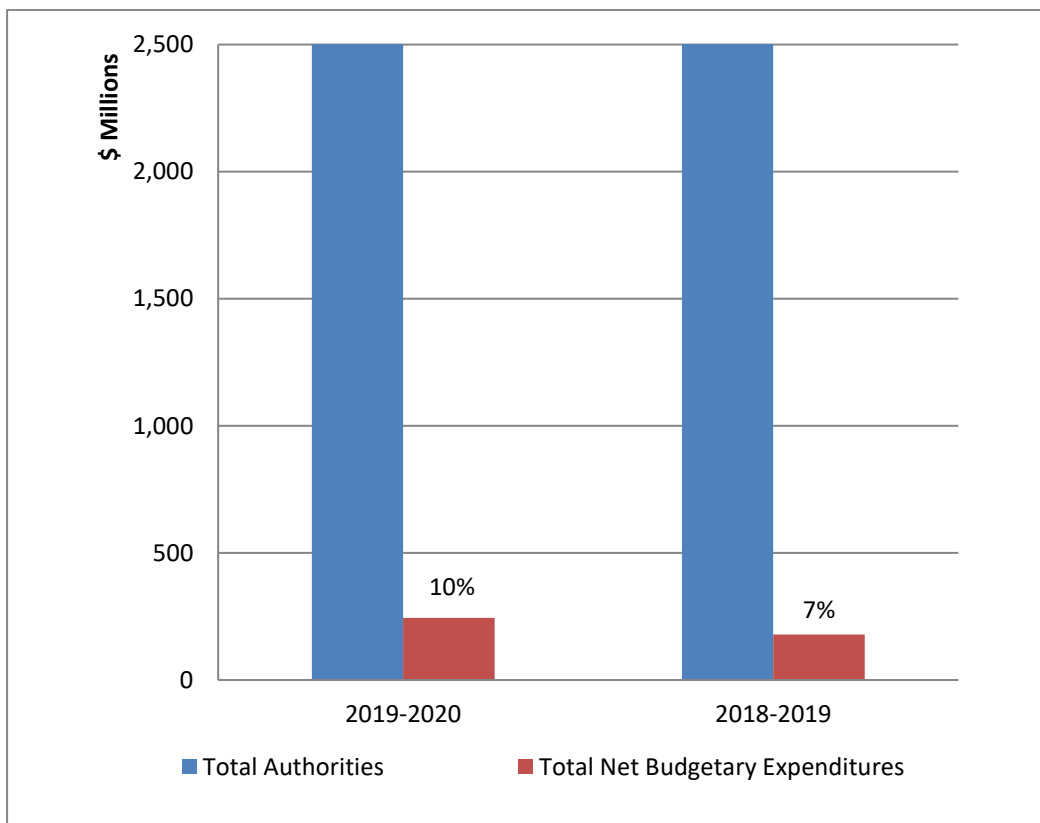


Table 3 presents budgetary expenditures by standard object. Total net budgetary expenditures by standard object have increased by \$65.0 million in the first quarter of 2019-2020 compared to the same period last year. The increase of \$35.3 million or 95% in Transfer payments is mainly attributed to several offsetting factors: a \$20.0 million increase in the AgriScience program, the Canadian Agricultural Partnership cost shared program, and the AgrilInnovate program, mainly due to 2019-2020 being the second year implementation of the Canadian Agricultural Partnership, a \$12.7 million decrease in recoveries under the Assistance to the Pork Industry Initiative, as well as a \$9.0 million increase in Dairy Farm Investment Program due to increased spending in support of the Dairy sector. These increases were partially offset by a \$5.8 million decrease in the AgrilInsurance Program and a \$2.2 million decrease in the AgrilInvest program due to industry conditions.

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The increase of \$27.3 million or 649% in Other Subsidies and Payment is primarily attributed to a \$28.3 million increase due to an accounting entry related to an Other Government Department (OGD) loan that was subsequently reversed.

Agriculture and Agri-Food Canada has total Revenue Spending authority of up to \$52.5 million for 2019-2020. The revenue is generated from collaborative research agreements between Agriculture and Agri-Food Canada and third parties, the administration of the AgriStability Program, as well as recoveries for costs related to Internal Support Services provided to other departments. The Department has generated \$11.2 million in revenues in the first quarter of 2019-2020 compared to \$13.4 million for the same period last year. The \$2.2 million revenue decrease was primarily attributed to a \$2.3 million decrease due to the timing of collections from other government departments for Information Technology services.

Table 3: Budgetary Expenditures by Standard Object (In thousands of dollars) ⁽¹⁾

Expenditures	2019-2020	2018-2019	Variiances	Percent
Personnel	122,796	122,404	392	0%
Transportation and communications	2,505	2,567	(62)	(2%)
Information	1,384	1,442	(58)	(4%)
Professional and special services	12,554	12,321	233	2%
Rentals	2,589	2,802	(213)	(8%)
Repairs and maintenance	1,390	1,509	(119)	(8%)
Utilities, materials and supplies	5,178	5,296	(118)	(2%)
Acquisition of land, buildings and works	96	431	(335)	(78%)
Acquisition of machinery and equipment	2,579	2,190	389	18%
Transfer payments	72,626	37,283	35,343	95%
Other subsidies and payments	31,510	4,208	27,302	649%
Total Gross Budgetary Expenditures	255,207	192,453	62,754	33%
Less: Revenues netted against expenditures	11,199	13,424	(2,225)	(17%)
Total Net Budgetary Expenditures	244,008	179,029	64,979	36%

Note:

(1) Totals may not add due to rounding.

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Risks and Uncertainties

Agriculture and Agri-Food Canada continues to exercise prudent management in delivering its policies and programs. The Department has established processes to identify, assess, monitor, and respond to a variety of risks to facilitate decision making and priority setting, and contribute to more effective delivery and efficient use of resources.

In the current environment, supporting employees and managers dealing with pay issues is a top priority for Agriculture and Agri-Food Canada. The department created a Pay Transformation team to proactively mitigate risks and respond to pay issues through: escalation and pay advisory services; outreach and awareness training; communication support and the provision of emergency salary advances and priority payments in response to financial hardship situations. The department actively monitors the pay impacts and corresponding salary payment adjustments resulting from these issue resolution activities.

Significant changes in relation to operations, personnel and programs

Programs

Budget 2019 announced A Food Policy for Canada, introducing \$134.4 million of new investments over the next five years between Agriculture and Agri-Food Canada, Canadian Food Inspection Agency and Canadian Northern Economic Development Agency. Agriculture and Agri-Food Canada was allocated \$95 million of this funding to improve food security and access to safe, healthy, and culturally diverse food; to better connect Canadians with and instill pride in Canada's food system and its food, seafood and agriculture products; and to identify innovative ways of reducing food waste in the food processing, grocery retail, and food service sectors.

The 2018 Fall Economic Statement announced Canada's Export Diversification Strategy and earmarked new funding (\$25 million over five years and \$5 million ongoing, beginning in 2024-2025) between Agriculture and Agri-Food Canada, Canadian Food Inspection Agency and Health Canada to enhance federal capacity to address situations where agricultural producers may be prevented from selling goods in international markets. Agriculture and Agri-Food Canada was allocated \$11.6 million over five years (\$2.3 million ongoing, beginning in 2024-2025) of this funding to enhance the Agriculture and Food Trade Commissioner Services and to contribute to the work of the International Standard-Setting Bodies.

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Approval by Senior Officials

Approved by:

Original signed by

Chris Forbes, Deputy Head

Ottawa, Canada

Original signed by

Christine Walker, Chief Financial Officer

Ottawa, Canada

AGRICULTURE AND AGRI-FOOD CANADA

Statement of Authorities *(unaudited)*

For the quarter ended June 30, 2019

(In thousands of dollars)

	Fiscal year 2019-2020 (1)			Fiscal year 2018-2019 (1)		
	Total available for use for the year ending March 31, 2020 ⁽²⁾	Used during the quarter ended June 30, 2019	Year to date used at quarter-end	Total available for use for the year ending March 31, 2019 (2)	Used during the quarter ended June 30, 2018	Year to date used at quarter-end
Vote 1 - Net Operating expenditures	\$ 574,688	\$ 152,972	\$ 152,972	\$ 568,454	\$ 122,958	\$ 122,958
Vote 5 - Capital expenditures	40,505	1,440	1,440	54,888	1,874	1,874
Vote 10 - Grants and contributions	419,735	38,537	38,537	425,525	8,191	8,191
Vote 15 - A Food Policy for Canada	17,486	-	-	-	-	-
Budgetary statutory authorities ⁽³⁾	1,459,369	51,059	51,059	1,476,391	46,006	46,006
Total Budgetary authorities	2,511,784	244,008	244,008	2,525,259	179,029	179,029
Total authorities	\$ 2,511,784	\$ 244,008	\$ 244,008	\$ 2,525,259	\$ 179,029	\$ 179,029

Notes:

(1) Totals may not add due to rounding.

(2) Includes only Authorities available for use and granted by Parliament at quarter-end

(3) Details on Budgetary statutory authorities are included the table below.

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Departmental Budgetary expenditures by standard objects *(unaudited)*

For the quarter ended June 30, 2019

(In thousands of dollars)

	Fiscal year 2019-2020 (1)			Fiscal year 2018-2019 (1)		
	Planned expenditures for the year ending March 31, 2020	Expended during the quarter ended June 30, 2019	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2019	Expended during the quarter ended June 30, 2018	Year to date used at quarter-end
Expenditures:						
Personnel	\$ 496,580	\$ 122,796	\$ 122,796	\$ 500,315	\$ 122,404	\$ 122,404
Transportation and communications	14,865	2,505	2,505	11,304	2,567	2,567
Information	6,720	1,384	1,384	5,956	1,442	1,442
Professional and special services	92,269	12,554	12,554	90,784	12,321	12,321
Rentals	6,642	2,589	2,589	5,664	2,802	2,802
Repair and maintenance	11,058	1,390	1,390	11,369	1,509	1,509
Utilities, materials and supplies	39,576	5,178	5,178	38,616	5,296	5,296
Acquisition of land, buildings and works	27,379	96	96	51,820	431	431
Acquisition of machinery and equipment	38,553	2,579	2,579	31,053	2,190	2,190
Transfer payments	1,803,969	72,626	72,626	1,827,049	37,283	37,283
Other subsidies and payments	26,680	31,510	31,510	8,399	4,208	4,208
Total gross budgetary expenditures	2,564,291	255,207	255,207	2,582,328	192,453	192,453
Less Revenues netted against expenditures:						
Vote-netted revenues	52,507	11,199	11,199	57,069	13,424	13,424
Total Revenues netted against expenditures	52,507	11,199	11,199	57,069	13,424	13,424
Total net budgetary expenditures	\$ 2,511,784	\$ 244,008	\$ 244,008	\$ 2,525,259	\$ 179,029	\$ 179,029
Note:						
(1) Totals may not add due to rounding.						

AGRICULTURE AND AGRI-FOOD CANADA
Budgetary statutory authority breakdown (unaudited)
For the quarter ended June 30, 2019
(In thousands of dollars)

APPENDIX A

	Fiscal year 2019-2020 (1)			Fiscal year 2018-2019 (1)		
	Planned expenditures for the year ending March 31, 2020	Expended during the quarter ended June 30, 2019	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2019	Expended during the quarter ended June 30, 2018	Year to date used at quarter-end
Contributions to employee benefit plans	\$ 65,441	\$ 16,360	\$ 16,360	\$ 65,526	\$ 16,381	\$ 16,381
Contributions to employee benefit plans (Administrative Tribunals Support Service of Canada)	-	-	-	-	-	-
Minister of Agriculture and Agri-Food - Salary and motor car allowance	88	22	22	86	22	22
Contribution payments for the AgriStability program	384,830	(5,132)	(5,132)	384,830	(5,857)	(5,857)
Contribution payments for the AgriInsurance program	623,000	14,817	14,817	623,000	20,658	20,658
Grant payments for the AgriInvest program	122,910	32,221	32,221	138,148	34,461	34,461
Payments in connection with the Agricultural Marketing Programs Act	65,900	4,575	4,575	65,900	5,389	5,389
Grant payments for the AgriStability program	39,320	15	15	39,320	(97)	(97)
Contribution payments for the AgriInvest program	16,550	148	148	18,602	-	-
Loan guarantees under the Canadian Agricultural Loans Act	13,111	9	9	13,111	9	9
Canadian Cattlemen's Association Legacy Fund	-	-	-	-	-	-
Contributions in support of the Assistance to the Pork Industry Initiative	-	(12,550)	(12,550)	-	(25,210)	(25,210)
Grants to agencies established under the <i>Farm Products Agencies Act</i>	100	-	-	100	-	-
Contribution payments for the Agricultural Disaster Relief Program (ADRP)/AgriRecovery	118,513	-	-	118,513	-	-

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Budgetary statutory authority breakdown (unaudited)
For the quarter ended June 30, 2019
(In thousands of dollars)

	Fiscal year 2019-2020 (1)			Fiscal year 2018-2019 (1)		
	Planned expenditures for the year ending March 31, 2020	Expended during the quarter ended June 30, 2019	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2019	Expended during the quarter ended June 30, 2018	Year to date used at quarter-end
Canadian Pari-Mutuel Agency Revolving Fund	-	(544)	(544)	-	(781)	(781)
Spending of Amounts Equivalent to Proceeds from Disposal of Surplus Moveable Crown Assets	9,606	1,132	1,132	9,255	1,291	1,291
Refunds of amounts credited to revenues in previous years	-	-	-	-	-	-
Contributions for agricultural risk management - Enhanced Spring Credit Advance program Business Risk Management	-	-	-	-	(89)	(89)
Class grant payments for the Transitional Industry Support program	-	-	-	-	(2)	(2)
Class grant payments for the Farm Income program	-	-	-	-	2	2
Grant payments for the Canadian Agricultural Income Stabilization program Inventory Transition Initiative	-	(5)	(5)	-	(9)	(9)
Contribution payments for the Canadian Agricultural Income Stabilization program Inventory Transition Initiative	-	(9)	(9)	-	(163)	(163)
Grants in support of the Grain and Oilseed Payment program	-	-	-	-	-	-
Grants in support of the Cost of Production Benefit	-	-	-	-	-	-
Contribution for the Transitional Industry Support Program	-	-	-	-	-	-
Budgetary statutory authorities	\$ 1,459,369	\$ 51,059	\$ 51,059	\$ 1,476,391	\$ 46,006	\$ 46,006
Note: (1) Totals may not add due to rounding.						