



Agriculture and
Agri-Food Canada

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Agriculture and Agri-Food Canada

**Quarterly Financial Report
For the Quarter Ended September 30, 2020**

AGRICULTURE AND AGRI-FOOD CANADA

Quarterly Financial Report

For the quarter ended September 30, 2020

Agriculture and Agri-Food Canada Quarterly Financial Report for the Quarter Ended September 30, 2020

Introduction

Agriculture and Agri-Food Canada (AAFC) is the federal department responsible for the Canadian agriculture and agri-food sector. Agriculture is a shared jurisdiction in Canada, and our department works closely with provincial and territorial governments on the development and delivery of policies and programs. Along with these policies and programs, our research and technology helps farmers, food producers, and processors grow and develop the sector in order to succeed in Canadian and global markets.

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

This quarterly financial report has been prepared as required by section 65.1 of the *Financial Administration Act* in the form and manner prescribed by Treasury Board, and should be read in conjunction with AAFC's 2020-2021 Main Estimates.

This report has not been subject to an external audit or review.

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 2020-2021 Main Estimates (approved up to September 30, 2020) as well as the Supplementary Estimates A, and the 2019-2020 Operating and Capital Budget Carry Forward available for use during the 2020-2021 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 money 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.

AGRICULTURE AND AGRI-FOOD CANADA

Quarterly Financial Report

For the quarter ended September 30, 2020

Highlights of fiscal quarter and fiscal year-to-date results

This quarterly financial report reflects the results of the current fiscal period in comparison to the authorities approved by Parliament, as well as budget adjustments approved by Treasury Board up to September 30, 2020.

The following table provides a comparison of total authorities available for use and year-to-date expenditures for the second quarter of the current and previous fiscal years.

Comparison of total authorities available for use and total year-to-date expenditures for the quarter ended September 30 of fiscal years 2020-2021 and 2019-2020 (in millions of dollars)

All votes and statutory authorities (in millions of dollars)	2020-2021	2019-2020
Total authorities available for use	2,676	2,549
Total year-to-date expenditures	682	534
Utilization	25%	21%

A. Significant changes to authorities

The following table provides a comparison of authorities by Vote for the second quarter of the current and previous fiscal years.

Comparison of total authorities as of September 30 of fiscal years 2020-2021 and 2019-2020

Total authorities available for use (in millions of dollars)	2020-2021	2019-2020	Variance
Vote 1 – Net operating authorities	450	601	(151)
Vote 5 – Capital authorities	43	51	(8)
Vote 10 – Grants and contributions	431	420	11
Vote 15 – A Food Policy for Canada	-	17	(17)
Statutory authorities	1,752	1,460	292
Total authorities	2,676	2,549	126

Note: Totals may not add up due to rounding.

AGRICULTURE AND AGRI-FOOD CANADA

Quarterly Financial Report

For the quarter ended September 30, 2020

Total authorities in fiscal year 2020-2021 were \$2,676 million at the end of the second quarter, as compared to \$2,549 million at the end of the second quarter of 2019-2020, which represents an increase of \$126 million or 5%.

Due to the COVID-19 pandemic and limited sessions in the spring for Parliament to study Supply, the standing orders of the House of Commons were amended to extend the study period into the Fall. This resulted in a reduced Supply (9/12ths for Vote 1 operating and Vote 5 capital authorities, and 11/12ths for Vote 10 grants and contributions) for the Main Estimates, which caused a decrease of \$194 million in authorities available for use. Agriculture and Agri-Food Canada is expected to receive Full Supply in December 2020.

The \$126 million or 5% increase in authorities available for use is attributable to the following:

- a \$292 million increase in statutory authorities, mainly due to the increase of \$273 million for funding of programs related to the COVID-19 pandemic under the Public Health Events of National Concern Payments Act, including the Local Food Infrastructure Fund, the Mandatory Isolation Support for Temporary Foreign Workers Program, the Emergency Processing Fund, the Surplus Food Rescue Program, and the Emergency On Farm Support Fund;
- an \$11 million increase in Vote 10 – Grants and contributions, mainly due to a \$35 million increase in COVID-19 related funding including a \$20 million Vote 1 to Vote 10 transfer, a \$10 million allocation of funding from Vote 15 – A Food Policy for Canada to Vote 10 – Grants and contributions, and a \$4 million increase in funding for AgriScience partially offset by a \$36 million decrease in authorities available for use in the current fiscal year due to a reduced Supply (without the Supply adjustment, there would be a \$47 million increase in Vote 10 authorities).

This increase is partially offset by the following :

- a decrease of \$151 million in Vote 1 – Net operating authorities mainly due to the reduced Supply of \$148 million;
- an \$8 million decrease in Vote 5 – Capital authorities mainly due to the reduced Supply of \$10 million; and
- a decrease of \$17 million under Vote 15 – A Food Policy for Canada. This funding was redistributed under other Votes in this fiscal year.

AGRICULTURE AND AGRI-FOOD CANADA

Quarterly Financial Report

For the quarter ended September 30, 2020

B. Significant changes in year-to-date expenditures

The following table provides a comparison of spending by Vote for the second quarter of the current and previous fiscal years.

Comparison of year-to-date expenditures for the quarter ended September 30 of fiscal years 2020-2021 and 2019-2020

Year-to-date expenditures (in millions of dollars)	2020-2021	2019-2020	Variance
Vote 1 – Net operating expenditures	258	260	(2)
Vote 5 – Capital expenditures	9	6	3
Vote 10 – Grants and contributions	76	86	(9)
Vote 15 – A Food Policy for Canada	-	-	-
Statutory expenditures	338	183	156
Total year-to-date expenditures	682	534	147

Note: Totals may not add up due to rounding.

At the end of the second quarter of 2020-2021, total expenditures were \$682 million, compared to \$534 million reported for the same period in 2019-2020, representing an increase of \$147 million or 28%.

- There was a \$156 million increase in statutory expenditures, mainly due to increased spending of \$199 million related to COVID-19 initiatives and a \$10 million increase in AgriStability. This increase was partially offset by a \$29 million decrease in expenditures for the AgriInsurance program and a \$15 million decrease in expenditures for the AgriInvest program.
- There was a \$3 million increase in Vote 5 – Capital expenditures, mainly due to significant repairs and additions to AAFC buildings as well as it being the second year of development of the Grants and Contributions Digital Platform.
- There was a \$9 million decrease in Vote 10 – Grants and contributions, mainly related to the Dairy Farm Investment Program primarily due to timing and COVID-19 which delayed the expenditures under some programs.

AGRICULTURE AND AGRI-FOOD CANADA

Quarterly Financial Report

For the quarter ended September 30, 2020

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 to contribute to more effective delivery and efficient use of resources. In today's environment, uncertainties brought on by the COVID-19 pandemic have required unprecedented measures, programs, and some reprioritization of activities to mitigate related impacts on the sector and the Department.

In addition, providing support to employees and managers who are dealing with pay issues continues to be a priority for Agriculture and Agri-Food Canada.

The Department actively monitors the pay impacts and corresponding salary payment adjustments that result from activities undertaken to resolve these issues.

Significant changes in relation to operations, personnel, and programs

Programs

The following announcements of new or changes to existing programs totaling \$447 million were in response to the effects of the COVID-19 pandemic on the Canadian agriculture sector:

- **Emergency Processing Fund:** \$77.5 million was announced to create an Emergency Food Processing Fund to help producers and processors implement any changes required because of the COVID-19 pandemic to protect the health and safety of workers and their families.
- **Support for food banks and local food organizations (under the Local Food Infrastructure Fund):** This \$100 million emergency fund provides funding to national, regional, and local organizations across Canada serving people and communities that are experiencing food insecurity and have been impacted by the COVID-19 pandemic. Out of this \$100 million, \$25 million was expended in 2019-20, with the balance of \$75 million in funding in 2020-21.
- **Surplus Food Rescue Program:** \$50 million in funding was provided to help organizations serving vulnerable populations acquire and process surplus commodities and food that would otherwise be lost or destroyed, and to help these organizations distribute the surplus commodities and food to populations in need.

AGRICULTURE AND AGRI-FOOD CANADA

Quarterly Financial Report

For the quarter ended September 30, 2020

- **Mandatory Isolation Support for Temporary Foreign Workers Program:** \$50 million in funding was provided to help farmers, fish harvesters, and all food production and processing employers to offset some of the additional costs of adhering to the mandatory 14-day isolation period required of all workers arriving from abroad imposed under the *Quarantine Act*.
- **Stay of Default – Advance Payments Program:** The Prime Minister announced in March 2020 that all eligible farmers with outstanding Advance Payments Program (APP) loans due on or before April 30, 2020, would receive a stay of default, which would provide them with an additional six months to repay the loans.
- **AgriRecovery Initiatives:** Up to \$125 million in funding was provided by the national AgriRecovery initiatives to help producers with the extraordinary additional costs resulting from market disruptions caused by the COVID-19 pandemic. Out of this \$125 million, \$50 million has been allocated to the Cattle Set Aside Initiative, and \$50 million has been allocated to the Hog Recovery Initiative up to date.
- **Youth Employment Skills Strategy:** An additional \$9.2 million was allocated to Agriculture and Agri-Food Canada to fund up to 700 new positions for youth in the agriculture industry. This funding will help the agriculture industry attract young Canadians (aged 15 to 30) to their organizations to help address pandemic-related labour shortages.
- **Emergency On-Farm Support Fund:** \$35 million in funding was allocated to Agriculture and Agri-Food Canada in order to provide support to farmers for direct infrastructure improvements to living quarters and work stations, temporary or emergency housing (on or off-farm), as well as personal protective equipment (PPE), sanitary stations, work stations and any other health and safety measures to safeguard the health and safety of Canadian and temporary foreign workers from COVID-19.

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 September 30, 2020
(in thousands of dollars)

	Fiscal year 2020-2021 ⁽¹⁾			Fiscal year 2019-2020 ⁽¹⁾		
	Total authorities for the year ending March 31, 2021 ⁽²⁾	Used during the quarter ended September 30, 2020	Year to date used at quarter-end	Total authorities for the year ending March 31, 2020	Used during the quarter ended September 30, 2019	Year to date used at quarter-end
Vote 1 – Net operating expenditures	\$ 449,856	\$ 126,249	\$ 258,485	\$ 600,847	\$ 107,197	\$ 260,168
Vote 5 – Capital expenditures	42,555	6,818	8,801	50,645	4,465	5,904
Vote 10 – Grants and contributions	430,737	54,796	76,299	419,735	47,238	85,775
Vote 15 – A Food Policy for Canada	-	-	-	17,486	-	-
Budgetary statutory authorities ⁽³⁾	1,752,401	210,167	338,139	1,460,452	131,514	182,573
Total budgetary authorities	2,675,550	398,031	681,725	2,549,165	290,413	534,421
Total authorities	\$ 2,675,550	\$ 398,031	\$ 681,725	\$ 2,549,165	\$ 290,413	\$ 534,421

Notes:

(1) Totals may not add up due to rounding.

(2) Includes only authorities granted by Parliament at quarter-end. Agriculture and Agri-Food Canada has received a reduced Supply as of 2020-2021 Quarter 2.

(3) Details on budgetary statutory authorities are included in Appendix A.

AGRICULTURE AND AGRI-FOOD CANADA

Departmental Budgetary Expenditures by Standard Object *(unaudited)*

For the quarter ended September 30, 2020

(in thousands of dollars)

	Fiscal year 2020-2021 ⁽¹⁾			Fiscal year 2019-2020 ⁽¹⁾		
	Planned expenditures for the year ending March 31, 2021 ⁽²⁾	Expended during the quarter ended September 30, 2020	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2020	Expended during the quarter ended September 30, 2019	Year to date used at quarter-end
Expenditures:						
Personnel	\$ 422,575	\$ 129,564	\$ 257,907	\$ 520,634	\$ 128,094	\$ 250,890
Transportation and communications	8,769	475	760	15,075	3,487	5,992
Information	5,740	1,868	2,455	6,817	1,019	2,403
Professional and special services	73,033	21,301	33,206	101,631	20,974	33,528
Rentals	4,405	943	3,475	6,735	1,099	3,688
Repair and maintenance	10,826	2,214	3,027	13,243	2,198	3,588
Utilities, materials and supplies	26,175	4,702	8,358	40,846	6,316	11,494
Acquisition of land, buildings and works	17,881	2,215	2,436	27,379	383	479
Acquisition of machinery and equipment	34,940	3,416	4,502	38,553	4,414	6,993
Transfer payments	2,111,876	247,445	380,194	1,803,969	160,805	233,431
Other subsidies and payments	4,942	1,134	5,744	26,791	(25,892)	5,618
Total gross budgetary expenditures	2,721,158	415,277	702,064	2,601,672	302,897	558,104
Less revenues netted against expenditures:						
Vote-netted revenues	45,612	17,246	20,339	52,507	12,484	23,683
Total revenues netted against expenditures	45,612	17,246	20,339	52,507	12,484	23,683
Total net budgetary expenditures	\$ 2,675,545	\$ 398,031	\$ 681,725	\$ 2,549,165	\$ 290,413	\$ 534,421
Note:						
(1) Totals may not add up due to rounding.						
(2) Planned expenditures have been adjusted to reflect a reduced Supply received as of Q2.						

AGRICULTURE AND AGRI-FOOD CANADA
Budgetary Statutory Authorities Breakdown (unaudited)
For the quarter ended September 30, 2020
(in thousands of dollars)

APPENDIX A

	Fiscal year 2020-2021 ⁽¹⁾			Fiscal year 2019-2020 ⁽¹⁾		
	Planned expenditures for the year ending March 31, 2021	Expended during the quarter ended September 30, 2020	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2020	Expended during the quarter ended September 30, 2019	Year to date used at quarter-end
Contributions to employee benefit plans	\$ 65,215	\$ 16,304	\$ 32,608	\$ 65,685	\$ 16,360	\$ 32,720
Minister of Agriculture and Agri-Food - Salary and motor car allowance	89	22	45	88	22	44
Contribution payments for the AgriStability program	384,830	(6,714)	(12,705)	384,830	(16,067)	(21,200)
Contribution payments for the AgriInsurance program	623,000	32,993	40,326	623,000	54,517	69,334
Grant payments for the AgriInvest program	122,910	44,459	64,793	122,910	49,712	81,934
Payments in connection with the <i>Agricultural Marketing Programs Act</i>	90,300	7,022	8,474	65,900	13,526	18,101
Grant payments for the AgriStability program	39,320	1,146	1,438	39,320	(106)	(92)
Contribution payments for the AgriInvest program	16,550	10,698	14,032	16,550	11,268	11,416
Loan guarantees under the <i>Canadian Agricultural Loans Act</i>	13,111	-	(76)	13,111	745	754
Contributions in support of the Assistance to the Pork Industry Initiative	-	(6,528)	(11,560)	-	-	(12,550)
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	-	-

AGRICULTURE AND AGRI-FOOD CANADA
Budgetary Statutory Authorities Breakdown (unaudited)
For the quarter ended September 30, 2020
(in thousands of dollars)

APPENDIX A

	Fiscal year 2020-2021 ⁽¹⁾			Fiscal year 2019-2020 ⁽¹⁾		
	Planned expenditures for the year ending March 31, 2021	Expended during the quarter ended September 30, 2020	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2020	Expended during the quarter ended September 30, 2019	Year to date used at quarter-end
Canadian Pari-Mutuel Agency Revolving Fund	-	230	174	-	25	(519)
Refunds of amounts credited to revenues in previous years	-	-	1	-	-	-
Spending of amounts equivalent to proceeds from disposal of surplus moveable Crown assets	5,958	962	1,417	10,446	1,540	2,672
Grant payments for the Canadian Agricultural Income Stabilization Program Inventory Transition Initiative	-	(4)	(6)	-	(11)	(15)
Contribution payments for the Canadian Agricultural Income Stabilization Program Inventory Transition Initiative	-	-	(6)	-	(17)	(26)
Contribution payments for the Local Food Infrastructure Program	75,000	5,164	75,564	-	-	-
Contribution payments for the Mandatory Isolation Support for Temporary Foreign Workers Program - Federal	48,950	21,423	21,631	-	-	-
Contribution payments for the Mandatory Isolation Support for Temporary Foreign Workers Program – Cost Shared	1,050	1,048	1,048	-	-	-
Contribution payments for the Emergency Processing Fund Program	62,500	32,649	51,649	-	-	-
Contribution payments related to the Surplus Food Purchase Program	50,000	49,293	49,293	-	-	-
Contributions in support of the Emergency On Farm Support Fund	35,004	-	-	-	-	-
Budgetary statutory authorities	\$ 1,752,401	\$ 210,167	\$ 338,139	\$ 1,460,453	\$ 131,514	\$ 182,573
Note:						
(1) Totals may not add up due to rounding.						