



Agriculture and
Agri-Food Canada

Agriculture et
Agroalimentaire Canada

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**Quarterly Financial Report
For the Quarter Ended December 31, 2020**

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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, as well as the Supplementary Estimates A, Supplementary Estimates B, and the 2019-2020 Operating and Capital Budget Carry Forwards 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 December 31, 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 December 31, 2020.

The following table provides a comparison of total authorities available for use and year-to-date expenditures for the third 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 December 31 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	3,490	2,928
Total year-to-date expenditures	1,433	1,519
Utilization	41%	52%

A. Significant changes to authorities

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

Comparison of total authorities as of December 31 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	590	612	(22)
Vote 5 – Capital authorities	53	51	2
Vote 10 – Grants and contributions	601	420	181
Vote 15 – A Food Policy for Canada	-	17	(17)
Statutory authorities	2,247	1,828	419
Total authorities	3,490	2,928	562

Note: Totals may not add up due to rounding.

AGRICULTURE AND AGRI-FOOD CANADA

Quarterly Financial Report

For the quarter ended December 31, 2020

Total authorities in fiscal year 2020-2021 were \$3,490 million at the end of the third quarter, as compared to \$2,928 million at the end of the third quarter of 2019-2020, which represents an increase of \$562 million or 19%.

The statutory authorities increase of \$419 million is mainly due to:

- \$298 million for COVID-19 pandemic initiatives (under the *Public Health Events of National Concern Payments Act*), which includes the Local Food Infrastructure Fund, the Mandatory Isolation Support for Temporary Foreign Workers Program, the Emergency Processing Fund, the Surplus Food Rescue Program, the Emergency On Farm Support Fund, and the Youth Employment and Skills Program; and
- \$123 million for the Dairy Direct Payment Program.

The \$181 million increase in Vote 10 – Grants and contributions is attributable to:

- \$129 million of COVID-19 related funding; and
- a \$38 million funding increase for the Canadian Agricultural Partnership program re-profiled from the last fiscal year.

These increases are partially offset by the following:

- a decrease of \$22 million in Vote 1 – Net operating authorities mainly due to transfers from Vote 1 to Vote 10 totaling \$30 million, to support COVID-19 initiatives; and
- a decrease of \$17 million under temporary Vote 15 – A Food Policy for Canada as this funding was redistributed under other Votes.

B. Significant changes in year-to-date expenditures

The following table provides spending comparisons by Vote for the third quarter of the current and previous fiscal years.

AGRICULTURE AND AGRI-FOOD CANADA

Quarterly Financial Report

For the quarter ended December 31, 2020

Comparison of year-to-date expenditures for the quarter ended December 31 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	403	409	(6)
Vote 5 – Capital expenditures	19	17	2
Vote 10 – Grants and contributions	160	167	(7)
Vote 15 – A Food Policy for Canada	-	-	-
Statutory expenditures	851	926	(75)
Total year-to-date expenditures	1,433	1,519	(85)

Note: Totals may not add up due to rounding.

At the end of the third quarter of 2020-2021, total expenditures were \$1,433 million, compared to \$1,519 million reported for the same period in 2019-2020, representing a decrease of \$85 million or 6%.

The bulk of the change in year-to-date spending was a \$75 million net decrease in statutory expenditures comprised of:

- a \$293 million reduction in the Dairy Direct Payment Program;
- a \$69 million reduction in the AgrilInsurance program as a result of timing differences; and
- a \$280 million increase in COVID-19 related program spending.

In addition, there was a net decrease of \$7 million in Vote 10 – Grants and contributions as projects in non-COVID-19 programs were delayed as a result of the pandemic. This decrease was partially offset by increased spending for the Canadian Agricultural Partnership cost-shared program and the new COVID-19 programs.

AGRICULTURE AND AGRI-FOOD CANADA

Quarterly Financial Report

For the quarter ended December 31, 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. Over the course of the third quarter, the second wave of the pandemic hit, providing further evidence that this context, its risks and impact on AAFC's operating environment would be longer lasting than originally perceived. As a result, AAFC is presently leveraging this perspective to inform planning in the context of longer pandemic impacts.

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

Personnel

On October 19, 2020 Vidya ShankarNarayan was appointed as the Chief Information Officer and Assistant Deputy Minister of the Information Systems Branch.

Programs

The following announcements of new programs or changes to existing programs 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 \$200 million emergency fund provides funding to national, regional, and local organizations across Canada serving people and

AGRICULTURE AND AGRI-FOOD CANADA

Quarterly Financial Report

For the quarter ended December 31, 2020

communities that are experiencing food insecurity and have been impacted by the COVID-19 pandemic. Out of this \$200 million, \$25 million was expended in 2019-20, with the balance of \$175 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.
- **AgriRecovery Initiatives:** Up to \$125 million in funding was provided by the national AgriRecovery initiatives to help producers with 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 to date.
- **Youth Employment and 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 in 2020-21. This funding will help the agriculture industry attract young Canadians (aged 15 to 30) to their organizations to help address pandemic-related labour shortages. Potential Funding for 2021-22 was also announced for this program in the Fall Economic Statement.
- **Mandatory Isolation Support for Temporary Foreign Workers Program:** Initially, \$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.

An additional \$34.4 million was announced in the Fall Economic Statement for 2020-21 to extend this program to the end of the fiscal year.

- **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.
- **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

AGRICULTURE AND AGRI-FOOD CANADA

Quarterly Financial Report

For the quarter ended December 31, 2020

safeguard the health and safety of Canadian and temporary foreign workers from COVID-19.

The following are announcements of new programs or changes to existing programs which were not in response to COVID:

- **Dairy Direct Payment Program:** Funding of \$1.4 billion in grants (\$468 million in 2020-21) and \$10.3 million for administration is being provided over 3 years starting in 2020-21 to extend the program to compensate dairy farmers in response to trade agreements including Canada-European Union Comprehensive Economic and Trade Agreement (CETA) and Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP).

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 December 31, 2020

(in thousands of dollars)

	Fiscal year 2020-2021 ⁽¹⁾			Fiscal year 2019-2020 ⁽¹⁾		
	Total authorities for the year ending March 31, 2021	Used during the quarter ended December 31, 2020	Year to date used at quarter-end	Total authorities for the year ending March 31, 2020	Used during the quarter ended December 31, 2019	Year to date used at quarter-end
Vote 1 – Net operating expenditures	\$ 589,509	\$ 144,699	\$ 403,184	\$ 611,895	\$ 149,051	\$ 409,219
Vote 5 – Capital expenditures	52,567	10,181	18,982	50,645	11,200	17,104
Vote 10 – Grants and contributions	600,936	83,554	159,854	419,735	80,735	166,510
Vote 15 – A Food Policy for Canada	-	-	-	17,486	-	-
Budgetary statutory authorities ⁽²⁾	2,246,775	513,150	851,289	1,827,908	743,311	925,884
Total budgetary authorities	3,489,787	751,584	1,433,309	2,927,669	984,297	1,518,717
Total authorities	\$ 3,489,787	\$ 751,584	\$ 1,433,309	\$ 2,927,669	\$ 984,297	\$ 1,518,717

Notes:

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

(2) 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 December 31, 2020

(in thousands of dollars)

	Fiscal year 2020-2021 ⁽¹⁾			Fiscal year 2019-2020 ⁽¹⁾		
	Planned expenditures for the year ending March 31, 2021	Expended during the quarter ended December 31, 2020	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2020	Expended during the quarter ended December 31, 2019	Year to date used at quarter-end
Expenditures:						
Personnel	\$ 532,737	\$ 126,389	\$ 384,296	\$ 531,683	\$ 134,974	\$ 385,864
Transportation and communications	11,406	568	1,328	15,075	3,453	9,445
Information	7,453	2,169	4,624	6,817	1,891	4,294
Professional and special services	91,005	26,562	59,768	101,631	24,406	57,934
Rentals	5,720	1,643	5,118	6,735	1,323	5,011
Repair and maintenance	13,381	2,912	5,939	13,243	3,933	7,521
Utilities, materials and supplies	33,782	7,396	15,754	41,902	7,227	18,721
Acquisition of land, buildings and works	23,872	4,303	6,739	27,379	1,135	1,614
Acquisition of machinery and equipment	46,575	6,684	11,186	38,553	8,892	15,885
Transfer payments	2,775,070	578,981	959,175	2,170,369	512,593	746,024
Other subsidies and payments	6,473	3,181	8,925	26,791	299,459	305,077
Total gross budgetary expenditures	3,547,474	760,788	1,462,852	2,980,176	999,286	1,557,390
Less revenues netted against expenditures:						
Vote-netted revenues	57,687	9,204	29,543	52,507	14,990	38,673
Total revenues netted against expenditures	57,687	9,204	29,543	52,507	14,990	38,673
Total net budgetary expenditures	\$ 3,489,787	\$ 751,584	\$ 1,433,309	\$ 2,927,669	\$ 984,296	\$ 1,518,717
Note:						
(1) Totals may not add up due to rounding.						

AGRICULTURE AND AGRI-FOOD CANADA
Budgetary Statutory Authorities Breakdown (*unaudited*)
For the quarter ended December 31, 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 December 31, 2020	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2020	Expended during the quarter ended December 31, 2019	Year to date used at quarter-end
Contributions to employee benefit plans	\$ 65,215	\$ 16,304	\$ 48,912	\$ 65,685	\$ 16,360	\$ 49,081
Minister of Agriculture and Agri-Food - Salary and motor car allowance	89	22	67	88	22	66
Contribution payments for the AgriStability program	384,830	5,158	(7,547)	384,830	(1,734)	(22,934)
Contribution payments for the AgriInsurance program	623,000	352,269	392,595	623,000	392,509	461,843
Grant payments for the AgriInvest program	122,910	43,639	108,431	122,910	29,981	111,915
Payments in connection with the <i>Agricultural Marketing Programs Act</i>	90,300	4,710	13,185	87,300	7,019	25,120
Grant payments for the AgriStability program	39,320	1,725	3,163	39,320	(207)	(299)
Contribution payments for the AgriInvest program	16,550	5,268	19,300	16,550	4,293	15,709
Loan guarantees under the <i>Canadian Agricultural Loans Act</i>	13,111	-	(76)	13,111	-	754
Contributions in support of the Assistance to the Pork Industry Initiative	-	-	(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	2,209	2,209	118,513	-	-

AGRICULTURE AND AGRI-FOOD CANADA
Budgetary Statutory Authorities Breakdown (unaudited)
For the quarter ended December 31, 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 December 31, 2020	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2020	Expended during the quarter ended December 31, 2019	Year to date used at quarter-end
Canadian Pari-Mutuel Agency Revolving Fund	-	334	509	-	344	(174)
Spending of Amounts Equivalent to Proceeds from Disposal of Surplus Moveable Crown Assets	7,336	1,039	2,456	11,501	1,481	4,152
Refunds of amounts credited to revenues in previous years	-	23	24	-	-	-
Class grant payments for the Farm Income program	-	-	-	-	293,246	293,246
Grant payments for the Canadian Agricultural Income Stabilization program Inventory Transition Initiative	-	(1)	(7)	-	(2)	(17)
Contribution payments for the Canadian Agricultural Income Stabilization program Inventory Transition Initiative	-	(1)	(7)	-	-	(26)
Grants in support of the Grain and Oilseed Payment program	-	-	-	-	(1)	(1)
Grant Payments Related to the Dairy Direct Payment Program	468,000	-	-	345,000	-	-
Contribution payments for the Local Food Infrastructure Program	125,000	49,436	125,000	-	-	-
Contribution payments for the Mandatory Isolation Support for Temporary Foreign Worker program	48,950	14,196	35,827	-	-	-
Contribution payments for the Mandatory Isolation Support for Temporary Foreign Worker program - Cost Shared	1,050	-	1,048	-	-	-
Contribution payments for the Emergency Processing Fund program	62,500	10,851	62,500	-	-	-
Contribution payments for the Surplus Food Purchase program	50,000	(750)	48,543	-	-	-
Contributions in support of the On Farm Support Program	5,000	5,000	5,000	-	-	-
Contribution Payments in Support of the Youth Skills and Employment Program	5,000	1,718	1,718	-	-	-
Budgetary statutory authorities	\$ 2,246,775	\$ 513,150	\$ 851,289	\$ 1,827,908	\$ 743,311	\$ 925,884
Note: (1) Totals may not add due to rounding.						