

Agriculture and Agri-Food Canada

2008-09

Departmental Performance Report



Agriculture and
Agri-Food Canada

Agriculture et
Agroalimentaire Canada

Canada

Table of Contents

Minister's Message	1
Section I – Departmental Overview	3
Raison d'être	3
Responsibilities	3
Strategic Outcomes and Program Activity Architecture	4
Summary of Performance	6
Contribution of Priorities to Strategic Outcomes	10
Risk Analysis	13
Expenditure Profile	14
Voted and Statutory Items	15
Section II – Analysis of Program Activities by Strategic Outcome	17
Strategic Outcome 1 – Security of the Food System	17
Program Activity 1.1 – Business Risk Management	17
Program Activity 1.2 – Food Safety and Food Quality	19
Program Activity 1.3 – Markets and International	21
Program Activity 1.4 – National Farm Products Council	22
Strategic Outcome 2 – Health of the Environment	23
Program Activity 2.1 – Environment	24

Strategic Outcome 3 – Innovation for Growth 26

Program Activity 3.1 – Innovation and Renewal 27

Program Activity 3.2 – Rural and Co-operatives Secretariats 30

Program Activity 3.3 – Canadian Pari-Mutuel Agency 31

Section III – Supplementary Information 33

Financial Highlights 33

List of Supplementary Information Tables 34

Minister's Message

Canadian agriculture is the backbone of our great country. The security and stability of our food supply and our rural communities all start with strong, vibrant farms. As Minister, I am proud to belong to a Government that always puts *Farmers First* in all of our agricultural policies.

As our country comes to grips with the global economic downturn, Canada needs an innovative, competitive and profitable agricultural sector more than ever. It's the third-largest contributor to our GDP, employs one in eight Canadians and contributes more than \$13.1 billion to our trade surplus.

Like many other Canadians, farmers face major challenges due to the economic situation. As a Government, we are striving to address the agricultural sector's short-term challenges, while improving its long-term prospects for growth and success. We recognize agriculture runs on solid planning, credit and cash flow.

I am proud of how my department, Agriculture and Agri-Food Canada, stepped up to the plate for Canada's agricultural industry in 2008-09. Over the past year, we completed agreements with all provinces and two territories under the new *Growing Forward* policy framework for agriculture. The federal government is investing \$1.8 billion over five years in non-business risk management programs for farmers, which target their unique needs and help them compete through greater support for innovation and the environment.



The Honourable Gerry Ritz

As part of *Growing Forward*, we launched a new set of programs to help farmers better manage their business risks. These programs delivered \$1 billion in much-needed assistance to our livestock producers. We also delivered \$454 million to livestock producers through emergency cash advances. Our flexible, responsive business risk management programming delivered for farm families hit by unforeseen disasters across the country.

A healthy and growing export market for our world-class agricultural products creates opportunities for farmers and jobs for Canadians. Last year, agricultural and food exports reached \$42.8 billion, a 21-per-cent increase from 2007. We worked hard in 2008-09 to grow market opportunities for farmers and processors. I led several successful trade missions to the Middle East, Asia and South America. We were able to expand access for Canadian products, including beef. Canada will continue to urge our trading partners to pursue trade that is based on rules and rooted in science.

Our farmers know that good environmental stewardship is good business. In the past year, we worked with producers to improve conservation of air, water, soils, and biodiversity. Through our balanced approach to biofuels programming, we helped producers grow their businesses and help the environment, while safeguarding food security.

The Government knows that science is key to helping our economy and our agricultural industry compete. AAFC is a respected national leader in science and technology. In 2008-09, we strengthened that reputation, working together with industry to develop new markets for our farmers.

This year, the Government took further action for farmers and the agricultural sector through Canada's Economic Action Plan. The plan committed \$500 million to the Agricultural Flexibility Fund, which will help the sector adapt to pressures, improve its competitiveness and maximize market opportunities. The plan also improved access to credit for farmers and co-operatives, with up to \$1 billion in loan guarantees. Further, it is helping livestock producers get their product to market, with a \$50-million program to improve efficiency and competitiveness in Canadian slaughter facilities.

All of our initiatives and programs are designed to work together to help put the Canadian agriculture and agri-food sector in a stronger position. Our accomplishments for agriculture in 2008-09 have been a team effort. Despite current economic challenges, I know I can depend on my portfolio team in agriculture to do its part to achieve a stronger and more dynamic agricultural sector for the prosperity of all Canadians.

These portfolio organizations – Agriculture and Agri-Food Canada, the Canadian Food Inspection Agency, Farm Credit Canada, the Canadian Grain Commission, the Canadian Dairy Commission, the National Farm Products Council, and the Canada Agricultural Review Tribunal – have different jobs to do in supporting me as Minister. What they have in common is a sense of commitment to make our sector the best it can be.

As a government, we are striving to address the agriculture sector's short-term challenges, while improving its long-term prospects for growth and success.

The Honourable Gerry Ritz, P.C., M.P.
Minister of Agriculture and Agri-Food and
Minister for the Canadian Wheat Board

Departmental Overview

Raison d'être

Agriculture and Agri-Food Canada (AAFC) is an economic and science-based department that supports the agriculture, agri-food and agri-based products sector to help ensure maximum benefits to Canadian citizens. This sector is national in scope, remarkably diverse, and consists of large, medium and small enterprises. Its value chain begins at the farm-gate and ends at the consumer plate. The sector provides both food and non-food commodities, relying upon cutting-edge technologies. In 2008, it accounted for eight per cent of Canada's GDP, \$147.6 billion in consumer sales, \$42.8 billion in exports (including seafood products) and almost \$13.1 billion of this country's trade surplus.

AAFC works to ensure the agriculture and agri-food industry is able to compete in international and domestic markets to derive economic returns to the sector and the Canadian economy as a whole. Through its work, the department strives to help the industry maximize its long-term profitability and competitiveness, while respecting the environment.

Responsibilities

AAFC provides information, research and technology, and policies and programs to help Canada's agriculture, agri-food and agri-based products sector increase its environmental sustainability, compete in markets at home and abroad, manage risk, and embrace innovation. Created in 1868, the department today maintains offices, laboratories and other facilities from coast to coast.

The activities of the department extend from the farmer to the consumer, through all phases of production, processing and marketing of agriculture and agri-food products.

The department derives its mandate from the *Department of Agriculture and Agri-Food Act*, and also administers other Acts for which the Minister is responsible. A full list of these Acts is available at: <http://www4.agr.gc.ca/AAFC-AAC/display-afficher.do?id=1180107359564&lang=e>.

AAFC provides leadership and co-ordinates the rural dimension of federal policies and programs through Canada's Rural Partnership. It promotes economic growth and social development through co-operatives.

The department ensures co-ordinated policy and program development and effective co-operation in meeting challenges on key cross-portfolio issues by working collaboratively with other organizations within the Agriculture and Agri-Food portfolio: the Canadian Dairy Commission; the Canadian Food Inspection Agency; the Canadian Grain Commission; Farm Credit Canada; the Canada Agricultural Review Tribunal; and the National Farm Products Council. The department also includes a special operating agency, the Canadian Pari-Mutuel Agency, which regulates and supervises betting on horse-racing.

More information on these portfolio organizations is available at: <http://www4.agr.gc.ca/AAFC-AAC/display-afficher.do?id=1173977418249&lang=e>.

In addition, the department supports the Minister in his role as Minister for the Canadian Wheat Board.

Strategic Outcomes and Program Activity Architecture

Strategic Outcomes

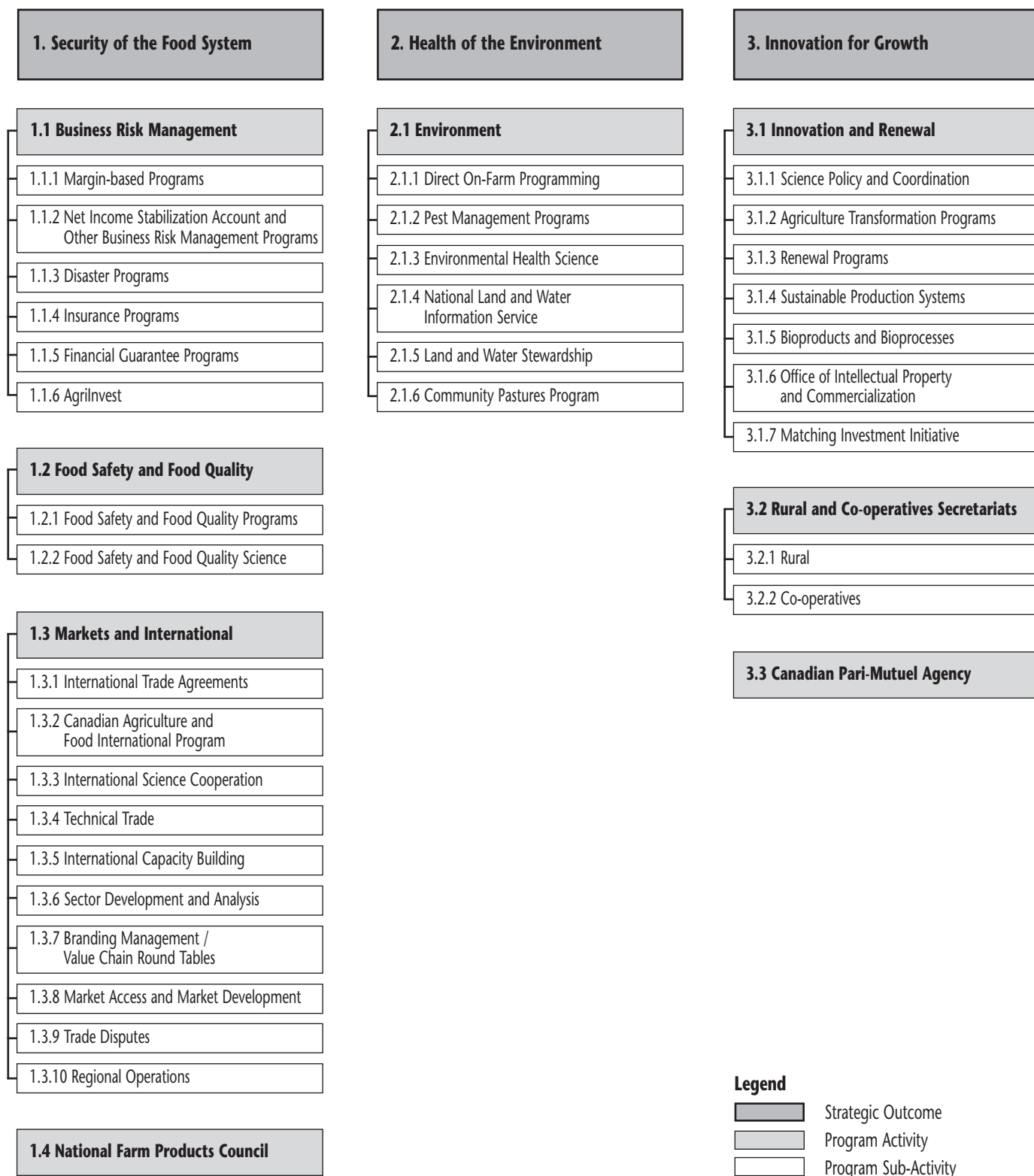
To effectively pursue its mandate, AAFC worked to achieve the following three Strategic Outcomes in 2008-09:

1. **Security of the Food System** – A secure and sustainable agriculture and agri-food system that provides safe and reliable food to meet the needs and preferences of consumers;
2. **Health of the Environment** – An agriculture and agri-food sector that uses environmental resources in a manner that ensures their sustainability for present and future generations; and
3. **Innovation for Growth** – An innovative agriculture and agri-food sector that develops food and other agriculture-related products and services to capture opportunities in diversified domestic and global markets.

Program Activity Architecture

The chart below displays the program activities and program sub-activities that comprised AAFC's Program Activity Architecture (PAA) for 2008-09. The PAA reflects how the department allocated and managed its resources and made progress toward its Strategic Outcomes.

AAFC's 2008-09 Program Activity Architecture*



* AAFC has created a new PAA for 2009-10 to reflect more clearly the department's mandate and vision. The 2009-10 PAA also captures AAFC's new policy framework, *Growing Forward*. AAFC will report against the new PAA in the 2009-10 Departmental Performance Report, as it has in the 2009-10 Report on Plans and Priorities.

Summary of Performance

2008-09 Financial Resources

(\$ millions) – Net

Planned Spending	Total Authorities	Actual Spending
3,194.3	2,766.5	2,585.7

2008-09 Human Resources (FTEs*)

* Full-time Equivalents

Planned	Actual FTEs ¹	Difference
6,705	6,385	(320)

Performance Summary

The following tables provide a summary of actual performance and planned and actual spending for each of AAFC's three Strategic Outcomes. (Please refer to footnotes following the last, summary table.)

Strategic Outcome 1: Security of the Food System						
Performance Indicators		Targets			2008-09 Performance	
Current year producers' net market income (NMI) plus BRM program payments compared to the previous five-year average NMI plus BRM payments for the sector		85% of the previous five-year NMI plus BRM payments			Using the most recent data for 2007, these programs and other BRM related programs contributed to bring net market income for 2007 to a level exceeding 80% of the previous five-year average net market income, including BRM payments.	
Total exports of agricultural, food and seafood products		\$35 billion by March 31, 2013			The value of agriculture, agri-food and seafood exports increased to \$42.8 billion in 2008, exceeding the target of \$35 billion.	
Number of national organizations participating in on-farm implementation		9 organizations by March 31, 2009			The Canadian Food Safety and Quality Program is driven by client demand. Last year, 8 national producer organizations, representing about 112,000 farm operations, requested funding in 2008-09 to implement on-farm food safety systems.	
Program Activity	2007-08 Actual Spending (\$ millions) – Net	2008-09 (\$ millions) – Net				
		Main Estimates ²	Planned Spending ³	Total Authorities ⁴	Actual Spending ⁵	Alignment to Government of Canada Outcomes
Business Risk Management	2,223.6	1,758.1	2,080.3	1,411.2	1,362.2	Strong Economic Growth
Food Safety and Food Quality	113.3	61.6	97.2	106.2	75.9	Strong Economic Growth
Markets and International ⁶	80.5	96.3	127.7	122.8	111.1	Strong Economic Growth and Prosperous Canada Through Global Commerce
National Farm Products Council	3.7	5.0	5.3	6.2	6.1	Strong Economic Growth
Total (Net)	2,421.2	1,921.0	2,310.5	1,646.5	1,555.2	

Strategic Outcome 2: Health of the Environment						
Performance Indicators		Targets			2008-09 Performance	
Soil Quality Agri-Environmental Index		Each index to have an improving trend by 2014			<p>Soil Quality, Water Quality and Air Quality indices were within the <i>Good</i> range. Soil Quality showed an improving trend and Air Quality was stable. Water Quality showed a deteriorating trend due to an increase in contamination risk from higher amounts of nitrogen added to crops in the form of fertilizer and manure.</p> <p>The Biodiversity index was within the <i>Average</i> range on the Agri-Environmental Index, showing a deteriorating trend due to a shift in land use to more intense production and away from pastures and natural land.</p> <p>Note: Results based on 2001 data published in 2005 in <i>Environmental Sustainability of Canadian Agriculture: Agri-Environmental Indicator Series, Report #2</i></p> <p>http://www4.agr.gc.ca/AAFC-AAC/display-afficher.do?id=1181580371933&lang=eng</p>	
Water Quality Agri-Environmental Index		81 by March 31, 2030 (with stable or improving trend)				
Air Quality Agri-Environmental Index		81 by March 31, 2030 (with stable or improving trend)				
Biodiversity Quality Agri-Environmental Index		81 by March 31, 2030 (with stable or improving trend)				
		Note: Scale for these indices 0-20=Unacceptable 21-40=Poor 41-60=Average 61-80=Good 81-100=Desired				
Program Activity	2007-08 Actual Spending (\$ millions) – Net	2008-09 (\$ millions) – Net				
		Main Estimates ²	Planned Spending ³	Total Authorities ⁴	Actual Spending ⁵	Alignment to Government of Canada Outcomes
Environment	444.5	222.2	389.2	382.4	331.6	Clean and Healthy Environment
Total (Net)	444.5	222.2	389.2	382.4	331.6	

Strategic Outcome 3: Innovation for Growth						
Performance Indicators		Targets			2008-09 Performance	
% increase in private industry's Research and Development expenditures in the agri-food sector as measured by food processing and bioproducts sectors (% reflects a real increase, after adjustments for inflation)		10% by March 2014			Progress toward this five-year target has been achieved and is reflected in Program Activity performance information in Section II of this report. However, specific information against this Strategic Outcome target was not measured in this reporting period.	
Increase in agriculture Net <i>Value-Added</i> (a Statistics Canada measure of Canadian value-added Canadian Gross Domestic Products)		7% by March 2014			As above	
% increase in production of bio-products as measured by revenues from bioproducts		10% by March 2014			As above	
Program Activity	2007-08 Actual Spending (\$ millions) – Net	2008-09 (\$ millions) – Net				
		Main Estimates ²	Planned Spending ³	Total Authorities ⁴	Actual Spending ⁵	Alignment to Government of Canada Outcomes
Innovation and Renewal	511.5	410.8	465.2	708.2	677.0	Innovative and Knowledge-Based Economy
Markets and International ⁶	34.5	-	-	-	-	Strong Economic Growth and Prosperous Canada Through Global Commerce
Rural and Co-operatives Secretariats	28.1	15.6	29.5	25.9	22.7	Innovative and Knowledge-Based Economy
Canadian Pari-Mutuel Agency	(0.9)	-	-	3.6	(0.8)	Fair and Secure Marketplace
Total (Net)	573.2	426.3	494.7	737.7	698.9	

Summary of Planned and Actual Spending for all Strategic Outcomes					
	2007-08 Actual Spending (\$ millions) – Net	2008-09 (\$ millions) – Net			
		Main Estimates ²	Planned Spending ³	Total Authorities ⁴	Actual Spending ⁵
Sub-total Planned Spending (Net)	3,438.8	2,569.6	3,194.3	2,766.5	2,585.7
Less: Non-Respendable Revenue	44.3	N/A	32.7	N/A	58.4
Plus: Cost of Services received without charge ⁷	48.2	N/A	57.6	N/A	57.7
Total Departmental Spending	3,442.8	N/A	3,219.1	N/A	2,585.0

- 1 Full-Time Equivalents – reflect only those FTEs funded through the department's appropriated resources. In addition to the actual FTEs of 6,385 there were 55 FTEs employed by AAFC for research funded through collaborative agreements with industry partners and 25 FTEs funded from other government departments. Also, 407 FTEs were employed as students.
- 2 Main Estimates figures are as reported in the 2008-09 Main Estimates.
- 3 Planned Spending figures are as reported in the 2008-09 Report on Plans and Priorities (RPP). Planned spending reflects funds already brought into the department's reference levels as well as amounts to be authorized through the Estimates process as presented in the Annual Reference Level Update. It also included adjustments totalling \$624.7 million for funding approved in the government fiscal plan, but not yet brought into the department's reference level.
- 4 Authorities are 2008-09 Main Estimates plus Supplementary Estimates and Allotment transfers received during the 2008-09 fiscal year, as well as adjustments to statutory amounts, internal adjustments and transfers (totalling \$196.9 million), as reported in the 2008-09 Public Accounts.
- 5 Actual Spending figures represent the actual expenditures incurred during the 2008-09 fiscal year, as reported in the 2008-09 Public Accounts. In certain cases, where Authorized amounts are unspent, they can be re-profiled for use in future years.
- 6 The Markets and International Program Activity contributed to two Strategic Outcomes in the 2007-08 year: Security of the Food System and Innovation for Growth. In 2008-09, it contributed to just Security of the Food System.
- 7 Cost of services received without charge includes accommodation provided by Public Works and Government Services Canada (PWGSC), the employer's share of employees' insurance premiums and expenditures paid by Treasury Board Secretariat (excluding revolving funds), Workers' Compensation coverage provided by Social Development Canada, and services provided by the Department of Justice Canada.

The variance between Actual and Planned Spending is primarily attributable to Business Risk Management (BRM) programming. BRM programs are demand-driven in nature. Spending for those programs fluctuates to meet the demands and requirements of the agriculture industry.

The figures in the above tables have been rounded.

Due to rounding, figures may not add to the exact totals shown.

Contribution of Priorities to Strategic Outcomes

The agriculture and agri-food sector continues to play an important economic and social role in Canada. Ensuring the sector has the tools it needs to continue this contribution is key to maximizing its long-term profitability and competitiveness, while meeting growing market and consumer demands for safe food and environmental stewardship. In 2008-09, AAFC provided the Canadian agriculture and agri-food sector with new tools to increase long-term profitability and competitiveness.

The 2008-09 year marked a transition from the *Agricultural Policy Framework* to *Growing Forward*, Canada's new policy framework for the agriculture, agri-food and agri-based products sector. The department helped producers participate in the emerging biofuels industry, supported industry-led innovation strategies across value chains and further implemented its *Science and Innovation Strategy*, while complementing the objectives of Canada's federal *Science and Technology Strategy*. A new suite of business risk management (BRM) programs was also launched, building on previous income-stabilization programs, to provide producers across the country with more responsive, predictable and bankable assistance.

Additional information on these operational priorities is provided in the following table.

Operational Priorities	Type	Status	Linkages to Strategic Outcome(s)
Growing Forward <i>A transformative policy framework that supports a sector that is competitive and innovative, generating returns to the sector and the Canadian economy as a whole</i>	New	Successfully Met The <i>Growing Forward</i> multilateral and bilateral agreements were mostly signed in 2008-09 allowing federal and province/territory-specific programming to be implemented, including BRM and non-BRM programs.	<ul style="list-style-type: none"> • Security of the Food System • Health of the Environment • Innovation for Growth These agreements were a critical step in implementing <i>Growing Forward</i> programming to help achieve AAFC's Strategic Outcomes.
Science and Innovation <i>Equipping the industry with bioproducts, knowledge-based production systems and strategies to capture opportunities and manage change</i>	Ongoing	Successfully Met Innovation and competitiveness were supported by increased producer and sector participation in new and emerging industries through ecoAgriculture Biofuels Capital (ecoABC), Agriculture Bioproducts Innovation Program (ABIP), Agri-Opportunities, and the Biofuels Opportunities for Producers Initiative.	<ul style="list-style-type: none"> • Innovation for Growth • Health of the Environment • Security of the Food System The department has made significant progress on the development of its Strategic Action Plan to implement priorities outlined in the <i>Science and Innovation Strategy</i> and adapted to the <i>Growing Forward</i> context of bringing innovative products to the marketplace.
New Suite of BRM Programs <i>Enhancing producers' capacity to manage risk, and increasing the sector's viability and profitability</i>	New	Successfully Met A more responsive, bankable and predictable suite of BRM programs was implemented on April 1, 2008 under <i>Growing Forward</i> . These programs included AgriInvest (a savings account program for producers), AgriStability (an improved margin-based program), AgriInsurance (insurance against production losses) and AgriRecovery (a disaster relief framework).	<ul style="list-style-type: none"> • Security of the Food System BRM programming helped ensure producers have the tools, knowledge and opportunity to manage business risk.

AAFC's management priorities for the effective delivery of programs and services included strengthening its corporate management operations. During 2008-09, the department updated its Management, Resources and Results Structure (MRRS) to reflect the new *Growing Forward* policy framework. The MRRS supports a common, government-wide approach to the collection, management and reporting of financial and non-financial performance information. AAFC also improved risk management through tools such as the Corporate Risk Profile, Business Continuity Plans, and Emergency Management Framework.

The department continued its client-focussed approach to service delivery, which was supported by its Information Management and Technology framework. AAFC worked closely with other organizations of the agriculture and agri-food portfolio to address common challenges and to foster the development of cohesive policies. In addition, the department also supported the Clerk of the Privy Council's priorities for Public Service Renewal, including further integration of Human Resources planning with departmental business planning.

Additional information on these management priorities is provided in the following table.

Management Priorities	Type	Status	Linkages to Strategic Outcome(s)
Corporate Management <i>Key initiatives to address the Corporate Management priority included: (1) updating the Management, Resources and Results Structure (MRRS) to reflect the new Growing Forward policy framework; and (2) improving risk management through tools such as the Corporate Risk Profile (CRP), Business Continuity Plans and Emergency Management Framework</i>	Ongoing	Mostly Met <p>In 2008-09, AAFC updated its MRRS but did not implement it as this was a transition year to the new <i>Growing Forward</i> framework. The existing MRRS was continued.</p> <p>AAFC put in place its 2008-10 CRP, prioritizing risks, describing mitigation strategies, assigning accountability for managing these strategies, and linking risks to Strategic Outcomes. Also, the Business Continuity Program and framework continued to be developed. The Emergency Management Framework was close to completion and work was continuing on a complementary document outlining AAFC's Concept of Operations; it is anticipated that both documents would be finalized and approved simultaneously in 2009-10.</p>	<ul style="list-style-type: none"> • Security of the Food System • Health of the Environment • Innovation for Growth <p>Sound management practices, processes and systems, especially in areas such as service delivery to clients, are essential to AAFC's ability to deliver its programs and achieve progress on its three Strategic Outcomes.</p> <p>By having an MRRS that accurately reflects the programs of the department and clear linkages to the CRP and other risk management tools, AAFC is in a better position to anticipate challenges and capture opportunities.</p> <p>Progress was achieved on Business Continuity and Emergency Management frameworks that will help ensure that, in challenging situations, the department can maintain the capacity to deliver essential programs and achieve progress on its three Strategic Outcomes.</p>
Citizen-focused Service <i>AAFC continued its client-focussed approach to service delivery, with a commitment to achieving measurable improvements in response to client expectations</i>	Previously committed to	Successfully met <p>Phase 1 of the Service Inventory (BRM) was completed on time and on budget; AAFC launched the Service Excellence Web corner; more informative, client-friendly benefit statements to producers were created; and a new quality assurance process reduced errors in benefit calculations, increasing accuracy from 90% to 97%.</p> <p>AAFC's second national client satisfaction survey was completed in March 2009. This survey and multiple rounds of <i>Growing Forward</i> consultations will help guide the department in determining its service agenda priorities.</p>	<ul style="list-style-type: none"> • Security of the Food System • Health of the Environment • Innovation for Growth <p>A flexible, client-focussed approach to providing programs and services is integral to the successful achievement of the three Strategic Outcomes.</p>

Continued on page 12

Continued from page 11

Management Priorities	Type	Status	Linkages to Strategic Outcome(s)
Portfolio collaboration <i>AAFC promoted portfolio collaboration to help ensure cohesive policy and program development and effectively manage challenges in the agriculture and agri-food sector</i>	Ongoing	Successfully Met AAFC co-ordinated portfolio-wide approaches to policy and program development through a variety of collaborative mechanisms, in areas such as communications, human resources and market information.	<ul style="list-style-type: none"> • Security of the Food System • Health of the Environment • Innovation for Growth Knowledge, support and integrated efforts of all portfolio partners are essential to make progress toward the three Strategic Outcomes.
People Management <i>To deliver on public service renewal priorities, AAFC continued to improve integration of Human Resources (HR) planning with business planning, focus on recruitment and employee development, and build and maintain effective systems and processes</i>	Previously committed to	Successfully met AAFC met or exceeded its commitments under all public service renewal priority areas set out in the Clerk's 2008-09 renewal action plan. AAFC was assessed as Strong regarding Public Service Renewal in the Management Accountability Framework (MAF) assessment by the Treasury Board Secretariat (TBS) for 2008-09.	<ul style="list-style-type: none"> • Security of the Food System • Health of the Environment • Innovation for Growth Focusing on core HR priorities helped ensure the department had the capacity to respond to current and emerging challenges to achieving the three Strategic Outcomes.
Information Management and Technology <i>AAFC continued to implement a strategic management framework for Information Management (IM) and Information Technology (IT), to achieve the effective delivery of client-centred programs, services and information</i>	Previously committed to	Mostly met A business model and IM/IT governance structure were developed with the goals of cost transparency, improved departmental priority setting and closer alignment with departmental business outcomes. This model is expected to be implemented in 2009-10.	<ul style="list-style-type: none"> • Security of the Food System • Health of the Environment • Innovation for Growth IM and IT supplied ongoing infrastructure, application, and information policies, systems and services with respect to the departmental business priorities.

The 2008-09 MAF assessment of AAFC's management capacity was very positive. There was a significant improvement in the department's ratings compared to the previous year's assessment. The department was also recognized for progress made on both management priorities identified for 2008-09: Effectiveness of Internal Audit; and Effective Management of Security and Business Continuity.

TBS has identified the following three management priorities for the coming year: Utility of the Corporate Performance Framework; Quality of Analysis in Treasury Board Submissions; and Extent to which the Workforce is Productive, Principled, Sustainable and Adaptable. AAFC is implementing actions to address these areas and other opportunities for improving its management practices.

Risk Analysis

Agricultural production carries inherent risk. As noted in the 2008-09 RPP, these production risks include weather-related disasters, climate change, pests, and disease. For example, farmers and ranchers in southwest Saskatchewan were again hard hit by drought this past year. In response, AAFC announced that \$17 million in federal financial assistance was being made available under the new AgriRecovery program.

The sector also faces risk in terms of market and trade conditions. In 2008-09, the department repeatedly raised concerns with the U.S. regarding its mandatory country-of-origin labeling (COOL) provisions and the resulting negative impacts on agriculture and agri-food products. In December 2008, Canada sought formal consultations with the U.S. under the World Trade Organization's (WTO) dispute settlement process.

In March 2009, Minister Ritz travelled to Korea to have final face-to-face discussions with the Korean ministers for trade and agriculture before Canada initiated the WTO dispute settlement process. In April, Canada requested formal WTO consultations with Korea on its measures affecting imports of bovine meat and meat products from Canada. This occurred after six years of Canadian efforts to restore access for Canadian beef to Korea based on science. The Government of Canada is continuing to pursue resolution of this case. The next formal stage in the WTO process is application before the WTO dispute settlement panel, expected to take place in fall 2009.

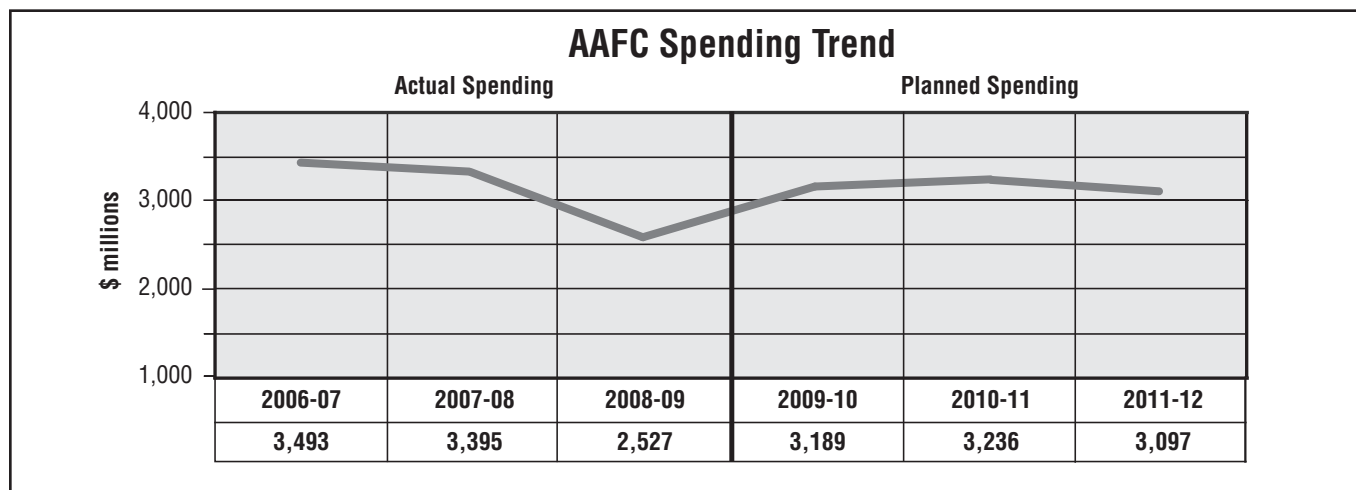
The department also remained very active in pressing for an ambitious and balanced outcome at the WTO trade negotiations in Geneva.

Last year, in addition to these production and market risks, the impact of global economic uncertainty was especially hard-felt across the sector. Such risks and uncertainty underline the importance of sound mitigation strategies to prepare for and prevent or limit the impact of potential threats. It is equally important that government programming help strengthen industry's capacity to respond and recover by maintaining existing market access, as well as taking advantage of new and emerging opportunities. These imperatives are reflected in AAFC's Security of the Food System and Innovation for Growth Strategic Outcomes and the Program Activities falling under these Outcomes.

Expenditure Profile

AAFC departmental spending varies from year to year in response to the circumstances in the agriculture and agri-food industry in any given year. Programming within AAFC is in direct response to industry and economic factors which necessitate support to this vital part of our economy. Much of AAFC's programming is statutory, ie. for programs approved by Parliament through enabling legislation, and therefore the associated payments fluctuate according to the demands and requirements of agriculture producers.

The figure below illustrates AAFC's spending trend from 2006-07 to 2011-12.



Over the period 2006-07 to 2011-12, Actual and Planned Spending varies from a high of \$3.5 billion in 2006-07 to a low of \$2.5 billion in 2008-09.

AAFC's overall spending in 2006-07 was relatively higher than other years primarily as a result of the 2006 Federal Budget announcement of \$1.5 billion to assist farmers in the transition to more effective programming for farm income stabilization. Included in this was \$900 million for the Canadian Agricultural Income Stabilization Inventory Transition Initiative (CITI).

For 2007-08, spending included Budget 2007 funding of \$1 billion for the Cost of Production and AgriInvest Kickstart programs (one-year programs). As a result of this one-time spending for 2007-08, actual spending for 2008-09 is relatively low in comparison. In addition, reduced expenditures in 2008-09 for Business Risk Management programming reflect a strong rise in crop receipts – mainly in the grains and oilseeds sector, for 2008 over 2007. 2008-09 was also a transition year as the five-year Agricultural Policy Framework expired and the new *Growing Forward* policy framework was introduced.

New Business Risk Management (BRM) programming was launched and other non-BRM programs were being adapted or replaced to meet the changing demands of the Canadian agriculture and agri-food sector. The planned spending for the 2009-10 to 2011-12 years includes the spending for the new *Growing Forward* initiatives.

Notes:

1. Actual spending represents the actual expenditures incurred during the respective fiscal year, as reported in Public Accounts less Non-responsible Revenue, which include such items as refunds of previous years' expenditures, proceeds from the sales of Crown Assets, privileges, licences and permits.
2. Planned spending reflects funds already brought into the department's reference levels as well as amounts to be authorized through the Estimates process as presented in the Annual Reference Level Update. It also includes adjustments in future years for funding approved in the government fiscal plan, but yet to be brought into the department's reference levels. Planned Spending has not been adjusted to include new information contained in Budget 2009, such as Strategic Review efficiency savings as well as new funding for the AgriFlexibility and Slaughterhouse programs. More information will be provided in the 2009-10 Supplementary Estimates.
3. Actual and Planned Spending amounts all exclude Services Received without charge.

Voted and Statutory Items

This table illustrates voted and statutory items as displayed in AAFC's Main Estimates.

(\$ millions)

Vote # or Statutory Item (\$)	Truncated Vote or Statutory Wording	2006-07	2007-08	2008-09	
		Actual Spending	Actual Spending	Main Estimates ¹	Actual Spending ²
1	Operating Expenditures	708.2	683.8	530.8	694.5
5	Capital Expenditures	34.1	32.5	32.0	30.3
10	Grants and Contributions	596.7	614.0	379.0	590.4
15	Pursuant to Section 29 of the <i>Financial Administration Act</i> , to authorize the Minister of Agriculture and Agri-Food, on behalf of her Majesty in Right of Canada, in accordance with terms and conditions approved by the Minister of Finance, to guarantee payments of an amount not exceeding, at any one time, in aggregate the sum of \$1,500,000,000 payable in respect of cash advances provided by producer organizations, the Canadian Wheat Board and other lenders under the Spring Credit Advance Program and \$1,500,000,000 payable in respect of cash advances provided by producer organizations, the Canadian Wheat Board and other lenders under the Enhanced Spring Credit Advance Program.	-	-	-	-
20	Pursuant to Section 29 of the <i>Financial Administration Act</i> , to authorize the Minister of Agriculture and Agri-Food, on behalf of her Majesty in Right of Canada, in accordance with terms and conditions approved by the Minister of Finance, to guarantee payments of amounts not exceeding, at any time, in aggregate, the sum of \$140,000,000 payable in respect of Line of Credit Agreements to be entered into by the Farm Credit Corporation for the purpose of the renewed (2003) National Biomass Ethanol Program.	-	-	-	-
(S)	Contributions Payments for the AgriInsurance program	-	-	388.7	548.3
(S)	Contribution Payments for the AgriStability program	-	-	655.2	340.5
(S)	Grant Payments for the AgriInvest program	-	165.6	-	175.7
(S)	Contributions to employee benefit plans	74.0	74.7	69.2	74.9
(S)	Contribution Payments for the Agricultural Disaster Relief Program / AgriRecovery	-	-	108.4	55.4
(S)	Payments in connection with the <i>Agricultural Marketing Programs Act</i>	10.6	44.1	137.5	37.0
(S)	Contribution Payments for the AgriInvest program	-	1.7	159.5	17.7
(S)	Grants in support of the Cull Breeding Swine Program	-	38.0	-	12.0
(S)	Grants in support of the Cost of Production Benefit	-	353.5	-	8.7
(S)	Grant payments for the Canadian Agricultural Income Stabilization Program Inventory Transition Initiative	431.0	(0.7)	-	8.4
(S)	Canadian Cattlemen's Association Legacy Fund	4.9	7.0	5.0	7.0
(S)	Spending of proceeds from the disposal of surplus Crown assets	2.7	3.5	-	4.0
(S)	Contributions payments for the Canadian Agricultural Income Stabilization Program Inventory Transition Initiative	442.0	-	-	3.7
(S)	Grant Payments for the Agricultural Disaster Relief Program – AgriRecovery	-	0.1	-	1.0

Continued on page 16

Continued from page 15

(\$ millions)

Vote # or Statutory Item (\$)	Truncated Vote or Statutory Wording	2006-07	2007-08	2008-09	
		Actual Spending	Actual Spending	Main Estimates ¹	Actual Spending ²
(S)	Minister of Agriculture and Agri-Food – salary and motor car allowance	0.1	0.1	0.1	0.1
(S)	Loan guarantees under the <i>Farm Improvement and Marketing Cooperatives Loans Act</i>	0.0	0.7	4.0	0.0
(S)	Refunds of amounts credited to revenues in previous years	0.1	0.0	-	0.0
(S)	Contributions in support of Business Risk Management programs under the Agricultural Policy Framework – Agriculture Policy Initiatives	1.7	4.7	-	0.0
(S)	Collection agency fees	0.0	0.0	-	0.0
(S)	Contributions in support of the AgriInvest Cost of Production Element	-	-	100.0	-
(S)	Grants to agencies established under the <i>Farm Products Agencies Act</i>	-	-	0.2	-
(S)	Contributions in support of Business Risk Management programs under the Agricultural Policy Framework – Production Insurance	343.1	416.4	-	-
(S)	Contributions in support of Business Risk Management programs under the Agricultural Policy Framework – Canadian Agricultural Income Stabilization program	933.3	377.3	-	-
(S)	Contribution payments for the AgriInvest Kickstart Program	-	95.8	-	-
(S)	Grant payments for the drought assistance package for livestock producers	-	4.4	-	-
(S)	Grant payments for the Golden Nematode Disaster Program	1.0	0.5	-	-
(S)	Contributions in support of the Cost of Production Benefit	-	44.7	-	(0.0)
(S)	Contributions to a transition to future risk management programming	(0.6)	(0.3)	-	(0.0)
(S)	Class contribution payments for Repositioning of the Canadian beef and cattle industry	(0.0)	(8.9)	-	(0.0)
(S)	Class contribution payments for the Transitional Industry Support Program	(1.6)	(0.1)	-	(0.1)
(S)	Class contribution payments for the Farm Income Program	(1.3)	(4.7)	-	(0.2)
(S)	Class grant payments for the Transitional Industry Support Program	(2.6)	(0.2)	-	(0.3)
(S)	Class grant payments for the Farm Income Payment Program	(2.8)	(1.0)	-	(0.3)
(S)	Canadian Pari-Mutuel Agency Revolving Fund	(0.8)	(0.9)	-	(0.8)
(S)	Contributions for agricultural risk management – Spring Credit Advance Program, Business Risk Management	(1.7)	8.9	-	(1.9)
(S)	Grants in support of the Grain and Oilseed Payment Program	(0.1)	(0.0)	-	(2.1)
(S)	Bovine Spongiform Encephalopathy Recovery Program	(2.3)	(1.0)	-	(2.1)
(S)	Contributions in support of Business Risk Management programs under the Agricultural Policy Framework – province-based programs	(1.9)	(0.0)	-	(6.9)
(S)	Grant payments for the AgriInvest Kickstart Program	-	484.4	-	(9.1)
TOTAL		3,567.7	3,438.8	2,569.6	2,585.7

The variance between the Actual Spending for 2007-08 and 2008-09 is primarily attributable to Budget 2007 funding received in 2007-08 for Cost of Production and AgriInvest Kickstart programs (one-year programs).

1 Main Estimates figures are as reported in the 2008-09 Main Estimates.

2 Actual figures represent the actual expenditures incurred during the 2008-09 fiscal year, as reported in the 2008-09 Public Accounts. In certain cases, where Authorized amounts are unspent, they can be re-profiled for use in future years.

The figures have been rounded. Figures that cannot be listed in millions of dollars are shown as 0.0. Due to rounding, figures may not add to the totals shown.

Analysis of Program Activities by Strategic Outcome

Strategic Outcome 1 – Security of the Food System

Through the Security of the Food System Strategic Outcome in 2008-09, AAFC aimed to ensure Canada's agriculture and agri-food sector would continue to produce, process and distribute safe and reliable food. In this regard, the department regularly works in collaboration and co-ordination with the Canadian Food Inspection Agency and other federal partners.

AAFC's approach to Security of the Food System was based on ensuring farmers and food producers had the tools they needed to manage business risks. In addition, the department helped maintain and enhance consumer confidence in the safety and quality of Canada's agricultural and food products by assisting the sector to develop and implement food safety systems. It also sustained and developed global markets by identifying opportunities and maintaining and expanding access in those markets.

Program Activity by Strategic Outcome

Program Activity 1.1 – Business Risk Management					
Enhancing producers' capacity to manage risk, and increasing the sector's viability and profitability					
2008-09 Financial Resources (\$ millions) – Net			2008-09 Human Resources (FTEs*)		
Planned Spending	Total Authorities	Actual Spending	Planned	Actual	Difference
2,080.3	1,411.2	1,362.2	1,295	1,114	(181)

* Full-time Equivalents

Expected Result	Performance Indicator	Target	Performance Status	Performance Summary
Increased producer capacity to manage business risks	Producers have the tools, knowledge and opportunity to manage business risk	70% of producers representing 80% of farm receipts participate in BRM programs by March 31, 2009	Mostly Met	<p>52% of Canadian producers participated in Canadian Agricultural Income Stabilization program in 2006, represented 66% of market revenues.</p> <p>65% to 70% of crop acres grown are insured;</p> <p>50% to 55% of Canadian farmers are insured.</p> <p>A new suite of BRM programs was introduced.</p>

Benefits for Canadians

Canada's farmers are the underpinning of the agri-food and agri-products industry that, in 2008, employed 12.6 per cent of Canada's workforce and provided eight per cent of the Gross Domestic Product (GDP). BRM programs help ensure the long-term stability and competitive position of the industry by enhancing farmers' capacity to manage financial risks. This was achieved by:

- stabilizing producer incomes derived from their operations;
- improving preparedness to respond to, mitigate and recover from production risks;
- reducing the economic impact of disasters and providing for adjustments and recovery after such disasters;
- enhancing profitability; and
- putting in place a new suite of BRM programs that are bankable, predictable and responsive.

Performance Analysis

Canadian Agricultural Income Stabilization (CAIS) and Production Insurance were the two core BRM programs under the Agricultural Policy Framework.

For CAIS, the performance information provided here relates to the 2006 tax year, the latest year for which figures are available. Participation in the program decreased from 136,000 participants in 2003 to about 120,000 in 2006. However, the program still covered a significant portion of the agricultural industry with 52 per cent of Canadian producers participating, representing 66 per cent of total market revenues for all farms in Canada.

The Production Insurance program continued to be a key BRM component as it covered most commercially produced crops in all provinces (approximately 95 per cent of the value of all crops grown in Canada are insurable). More specifically, in 2008-09, 60 to 68 per cent of the value of crops grown and 50 to 55 per cent of Canadian farmers were insured.

To address producer concerns with BRM programs under the Agricultural Policy Framework, a new suite of BRM programs, namely AgriStability, AgriInsurance, AgriInvest, and AgriRecovery, were made available to producers under the *Growing Forward* policy framework, beginning in the 2008-09 fiscal year.

AgriStability, the new margin-based income stabilization program, includes several improvements over CAIS, such as expanded criteria for negative margin coverage, targeted advance payments to get funds out quickly when disasters occur, and a better method of valuing inventories, as well as simplified forms and improved service delivery. AgriInvest allows producers to self-manage, through producer-government savings accounts, the first 15 per cent of their margin losses for a production year and make investments to reduce on-farm risks or increase farm revenues. AgriRecovery is a framework that allows governments to jointly respond to disasters (e.g., disease, weather) with quick, targeted assistance. The purpose of AgriRecovery is to help affected producers resume business operations and take actions to mitigate the impacts of a disaster as quickly as possible; it provides a process for governments to quickly determine whether further assistance is required in addition to existing programming. These programs were designed to be more responsive, predictable and bankable, while also providing greater flexibility. This is expected to result in higher participation of producers in the BRM programs and a better capacity to mitigate business risks.

More information on the new BRM suite of programs can be found at: <http://www4.agr.gc.ca/AAFC-AAC/display-afficher.do?id=1200408916804&lang=eng>.

Lessons Learned

A key component of a quality-service-improvement culture is client-satisfaction measurement. AAFC's national Client Satisfaction Survey, completed in March of 2009, displayed results that will be used to guide its service agenda.

Reflecting its commitment to service improvement, AAFC now tracks, and makes public, the percentage of applications processed according to service standards for the AgriStability program. This information is available at: <http://www4.agr.gc.ca/AAFC-AAC/display-afficher.do?id=1225302896308&lang=eng>.

Program Activity 1.2 – Food Safety and Food Quality					
Minimizing the risk and impact of food-borne hazards on human health, increasing consumer confidence and improving the sector's ability to meet or exceed market requirements for food products, and provide value-added opportunities through the adoption of food safety, food quality and traceability systems					
2008-09 Financial Resources (\$ millions) – Net			2008-09 Human Resources (FTEs*)		
Planned Spending	Total Authorities	Actual Spending	Planned	Actual	Difference
97.2	106.2	75.9	585	503	(82)

* Full-time Equivalents

Expected Result	Performance Indicator	Target	Performance Status	Performance Summary
Protecting the health of Canadians by improved farming practices and processes that lead to increased food safety	% of producers adopting improved food safety practices	65% by March 31, 2010	Mostly Met	Producers are implementing and adopting food safety practices as evident through on-farm safety system development and implementation projects funded by AAFC. The exact results will be known when the Statistics Canada Survey results are available in 2010.
Increased availability to consumers of high-quality, health-enhancing food products	Increase in dollars in sales / revenues for functional foods and nutraceuticals	by March 31, 2014 (% increase for target has yet to be determined. It will be identified by March 31, 2010.)	Mostly Met While no data is available for this past fiscal year to measure performance at the Program Activity level, AAFC is meeting or exceeding its targets at the Program Sub-Activity (PSA) and Program Sub-Sub-Activity (PSSA) levels. Please see the Performance Analysis for a description of progress at these lower levels.	According to the most recent information available, firms with functional or nutraceutical-related activities reported about \$2.9B in sales in 2004. This represents about 10% of revenues from all sources (Data source: Innovation Analysis Bulletin Vol. 8, no. 3, Dec. 2006)

Benefits for Canadians

Government-recognized and science-based food safety and food quality practices, tools and systems, at all links in the value chain, helped prevent the spread of animal and plant disease. This not only reduced economic losses to Canada associated with responding to disease outbreaks, but provided consumer confidence, at home and abroad, resulting in enhanced market access and industry growth.

Performance Analysis

Implementation of on-farm safety practices was included in the 2009 Farm Financial Survey. Results of the survey are expected in early 2010. The target of 65 per cent has been reduced to 55 per cent in AAFC's 2009-10 *Performance Measurement Framework*. This adjustment reflects the general intent of the grain sector not to proceed with implementing on-farm food safety practices on a comprehensive basis unless markets demand such requirements.

Only the first year of work has been completed toward the five-year target, as noted in the proceeding table for this Program Activity, as it relates to Innovation. While, at this point in time, there are no firm performance measures available for the Program Activity itself, progress is reflected in achievements at the lower levels of the overall Performance Framework. A few examples follow to highlight this progress.

Science-based food safety practices are crucial to preventing the spread of animal and plant diseases. In 2008-09, AAFC provided \$16.3 million to non-profit national industry associations and provinces to develop government-recognized on-farm and post-farm food safety practices in the complex integrated production, processing, packaging and distribution systems. These food safety practices limit the spread of food-borne illnesses and contaminations, which reduce the associated economic, environmental and social impacts as well as supporting the confidence in Canadian food, at home and abroad, resulting in maintaining and enhancing market access and industry growth.

During 2008-09, 21 non-profit producer and agri-food associations received \$8.2 million to develop and implement national food safety systems. Also AAFC provided seven participating provinces with \$8.1 million to implement food safety practices in more than 330 non-federally registered food processing plants and conduct over 400 food safety seminars.

From a science standpoint, AAFC continued its work in the area of food safety and food quality. The department's scientists contributed to the body of knowledge in this area through publishing 400 scientific articles in peer reviewed journals. In addition, results from AAFC research in the area of food safety and quality and human health and wellness resulted in the filing of eight commercialization licences or patents (up from four licences in 2007-08), demonstrating successful uptake of technologies and varieties resulting from the department's science.

In addition, AAFC scientists have discovered bacteria living in chicken guts and soils that can neutralize the toxic effects caused by a common grain fungus. The discovery opens the door to innovative mitigation strategies to lower the risk of toxin contamination of food and feed. As well, a collaborative project with Health Canada, the Canadian Food Inspection Agency and the Public Health Agency of Canada has yielded important information about how lettuce and other vegetables become contaminated by *E. coli* O157:H7 during production and post-harvest handling. Understanding these contamination mechanisms is a key step toward improved food safety procedures.

Lessons Learned

The development of Growing Forward provided the opportunity to put in place the foundation for program integration of Food Safety, Biosecurity and Traceability initiatives. Consultations with provinces, territories and industry stakeholders and wide ranging discussions within AAFC were key to developing the new set of programs. One of the goals for integration was to streamline and simplify programs to ensure flexibility needed by clients. The newly designed programs will provide industry with assistance and flexibility in developing coordinated and comprehensive systems to better respond to market conditions and consumer demands in future years.

Program Activity 1.3 – Markets and International					
Expanding international opportunities for the Canadian agriculture and food sector					
2008-09 Financial Resources (\$ millions) – Net			2008-09 Human Resources (FTEs*)		
Planned Spending	Total Authorities	Actual Spending	Planned	Actual	Difference
127.7	122.8	111.1	671	624	(47)

* Full-time Equivalents

Expected Result	Performance Indicator	Target	Performance Status	Performance Summary
A competitive sector that has the necessary attributes to position itself strategically to take advantage of new market opportunities, and to reposition itself to protect against changing market risks	Increase in value of domestic shipments in the agriculture, agri-food (including seafood) and beverage sectors	Increase of \$5 billion by March 31, 2013	Mostly Met	Food and beverage manufacturing domestic shipments grew by \$4 billion (current dollars) in 2008-09, up 4.8% from 2007-08 to a total of \$87.3 billion. However, in real dollars (1997 was established as the baseline year for comparing performances), shipments grew by \$333 million.
Access to export markets is maintained and expanded	Increase in number of markets where Canada exports over \$50 million in agri-food and seafood products	5% by March 31, 2013	Exceeded	Canada increased the number of countries to which it annually exports \$50 million of agriculture, agri-food and seafood products. The number of countries increased from 48 in 2007 to 51 in 2008, representing a 6.3% increase.
	Number of markets maintained at an export level of \$100 million or more	32 by March 31, 2013	Exceeded	Canada exported more than \$100 million in agriculture, agri-food and seafood products to 44 countries in 2008, an increase of 10% from 2007.

Benefits for Canadians

With substantial consumer sales of Canadian agriculture and agri-food products and record exports of agriculture, agri-food and seafood products, valued at \$147.6 billion and \$42.8 billion respectively in 2008, Canada has a clear and fundamental interest in leveraging a strong Canada Brand, and in securing market access for this critical industry. In fact, Canada is the fourth largest exporter of agri-food and seafood products in the world.

Exports create jobs in Canada, increase revenues from farm cash receipts, contribute to strengthening competitiveness of Canada's agri-food sector, and foster innovation.

Performance Analysis

In 2008-09, the value of Canadian agriculture, agri-food and seafood exports increased by 21.2 per cent over 2007. The large spike in exports was due to extremely high wheat and barley prices for the first half of 2008 and the significant increase in exports of canola, barley and oats which increased both in volume and value. The high prices fell to a much lower plateau early in 2009 due to the global economic crisis and other events.

In 2008, the number of countries to which Canada exported over \$100 million of agriculture, agri-food and seafood products was 44. This represents an increase of 10 per cent from the 40 markets reported in 2007. The number of countries to which Canada exported over \$50 million to each country was 51 in 2008. This represents an increase of 6.3 per cent from the 48 markets reported in the previous year. These trends are expected to continue as Canada further diversifies these exports.

Food and beverage manufacturing shipments (i.e., total manufacturers' sales of products made in Canada) were valued at \$87.3 billion in 2008, up 4.8 per cent from 2007. This represents a \$4 billion-dollar increase. Significant growth in sales of grain and oilseed milling products, up 30 per cent largely due to higher prices, accounted for almost half of the overall food and beverage industry growth. In real terms, removing the impact of price fluctuations, the value of shipments grew by \$333 million (in 1997 dollars – established as the baseline for comparing performance). The real output of food and beverage manufacturers remained relatively flat in 2008, due to several factors, including the higher Canadian dollar, higher input costs, growing competition from low-cost producing countries (such as China), and the global economic recession.

In 2008-09, the Canadian Agriculture and Food International (CAFI) program continued to fund industry activities to improve international market development and gain recognition for Canada as a leader in supplying high-quality, safe and innovative agriculture, agri-food, beverage and seafood products. The CAFI program provided over \$22.8 million in support of industry activities, including \$17.5 million for long-term international strategies and \$5.3 million for projects to 47 industry associations.

Lessons Learned

Efforts to diversify and to expand international markets greatly benefit Canadians, as shown by the increase in exports over the last few years. Initiatives and programs such as the negotiation of bilateral and regional free trade agreements, market access, advocacy, resolution of trade disputes, and export promotion should continue to be pursued.

Program Activity 1.4 – National Farm Products Council					
Oversee the national supply management agencies for poultry and eggs and national promotion research agencies to ensure an efficient system that works in the balanced interest of stakeholders, from producers to consumers					
2008-09 Financial Resources (\$ millions) – Net			2008-09 Human Resources (FTEs*)		
Planned Spending	Total Authorities	Actual Spending	Planned	Actual	Difference
5.3	6.2	6.1	30	37	7

* Full-time Equivalents

Expected Result	Performance Indicator	Target	Performance Status	Performance Summary
The supply management system for poultry and eggs, as well as the check-off system for beef, work in the balanced interests of stakeholders, from producers to consumers	Percentage of market share: producers maintain their relative share of the Canadian market for chicken, eggs, hatching eggs and chicks, and turkey	80% by March 31, 2009	Exceeded	Chicken: 81.4% Eggs: 95.4% Hatching Eggs: 82.6% Turkey: 95.2%
	Variations in consumer prices for regulated products are consistent with those of other unregulated agricultural products	The Consumer Price Index (CPI) for regulated products are consistent with those of other unregulated agricultural products as well as relevant historical trends.	Met All	The CPI for All Foods increased by 3.9% in 2008. The CPI for Chicken increased by 5.1%, the CPI for Turkey decreased by 1.3% and the CPI for Eggs increased by 4.9%. Because hatching eggs are not purchased by consumers, the CPI indicator does not apply.

Benefits for Canadians

National supply management systems were established in response to the price volatility and revenue uncertainty faced by agricultural producers of certain commodities. In 2008-09, the National Farm Products Council (NFPC) continued to assist and supervise the activities of the national marketing and promotion research agencies, which are not subject to the Competition Act, to ensure that the supply management system for poultry and eggs as well as the national check-off system for beef work in the balanced interest of stakeholders, from producers to consumers.

Performance Analysis

CPI variations for chicken and eggs were very similar to that of all foods and followed an upward trend while the CPI for turkey decreased slightly, making turkey products relatively more affordable than food items in general. This is consistent with patterns observed over the past five years where the turkey CPI tended to remain below that of chicken and eggs, as well as that of all foods. Also, the market share of Canadian chicken, egg, hatching egg, and turkey producers remains above the 80 per cent target.

Lessons Learned

In the summer and fall of 2008, NFPC consulted with its partners and industry stakeholders to obtain their views on its performance as well as future directions. From these consultations, two messages emerged: the need for more communication, cooperation, collaboration and coordination; and the need for NFPC to be more proactive and involved in order to better support the work of national agencies in the management of the system, as well as to act as a neutral and impartial expert organization in providing the appropriate information necessary to resolve disputes before positions become entrenched.

With this in mind, NFPC established six strategic priorities for the next three years: improving governance and decision making within NFPC; improving NFPC's knowledge base and its capacity to provide expertise and influence solutions; improving interactions with stakeholders and provincial governments; improving dispute resolution mechanisms and efficiency; developing and circulating information on promotion research agencies; and improving communications.

Strategic Outcome 2 – Health of the Environment

Farmers and the entire agri-food sector, governments, environmental organizations and all Canadians share the goals of sustainable resource development to ensure both an economically vibrant industry and a healthy environment.

In 2008-09, AAFC worked with its partners to: improve conservation of air, water, soils, and biodiversity by the agriculture and agri-food sector through stewardship practices; improve ecosystems by increasing scientific knowledge; and provide advice and recommendations to Canadian and international decision-makers on the design of agri-environmental programs and policies.

Program Activity by Strategic Outcome

Program Activity 2.1 – Environment					
An agriculture and agri-food sector that uses environmental resources in a manner that ensures their sustainability for present and future generations					
2008-09 Financial Resources (\$ millions) – Net			2008-09 Human Resources (FTEs*)		
Planned Spending	Total Authorities	Actual Spending	Planned	Actual	Difference
389.2	382.4	331.6	1,940	1,845	(95)

* Full-time Equivalents

Expected Result	Performance Indicator	Target	Performance Status	Performance Summary
Reduced environmental risk from agriculture and agri-food sector, ensuring environmental sustainability of the sector in support of Canada's environmental policies	Improvement in the four agri-environmental indices: 1) Soil Quality 2) Water Quality 3) Air Quality 4) Biodiversity Note: Scale for these indices 0-20=Unacceptable 21-40=Poor 41-60=Average 61-80=Good 81-100=Desired	Each of the four indices showing an improving trend by March 31, 2014	Somewhat Met	Soil Quality, Water Quality and Air Quality indices were within the Good range. Soil Quality showed an improving trend, while Air Quality was stable and Water Quality showed a deteriorating trend. The Biodiversity index was within the Average range on the Agri-Environmental Index, showing a deteriorating trend. <i>Note: based on 2001 data, published in 2005 in: Environmental Sustainability of Canadian Agriculture: Agri-Environmental Indicator Series – Report #2, found at: http://www4.agr.gc.ca/AAFC-AAC/display-afficher.do?id=1181580371933&lang=eng</i>

Benefits for Canadians

In the November 2008 Speech from the Throne, the federal government noted that Canada's economic prosperity cannot be sustained without a healthy environment, just as environmental progress cannot be sustained without a healthy economy. The government again declared its commitment to address climate change, protect water resources and foster overall environmental well-being. Work on the Environment Program Activity helped the government deliver on this commitment by contributing to a cleaner and healthier environment for Canadians.

AAFC helped address key agri-environmental challenges in Canada, focusing on agriculture's impact on water quality and use, the health of soils, and the mitigation and adaptation to climate change. More specifically, it contributed to Canada's capacity to improve air quality and conserve water and soil resources through scientific verification of environmental stewardship practices and by increasing knowledge of sustainable practices. By providing new scientific advice and recommendations for the design of agri-environmental programs and policies, the department helped better position the sector to implement sustainable practices.

The department also helped industry to explore new economic opportunities that will contribute to a cleaner environment and healthier living conditions for Canadians, while enabling the sector to maintain or enhance profitability. For example, AAFC has undertaken research exploring Ecological Goods and Services (EG&S) market-based policy options, such as reverse auctions and tradeable permits, which could potentially provide farmers with benefits in exchange for implementation of beneficial management practices.

Performance Analysis

An analysis of the sector's environmental performance in the major agricultural regions of Canada reveals some positive and deteriorating trends. While trends in agri-environmental performance varied across the major agricultural regions of the country, all four agri-environmental indices are ranked as either average or good at the national level. These indices are: (1) Soil Quality; (2) Water Quality; (3) Air Quality; and (4) Biodiversity.

Improvements have indeed occurred. For example, soil degradation was identified as a major concern in the early 1980s. Research into this issue was conducted by AAFC and the resulting knowledge was promoted to farmers to apply stewardship practices on the agricultural landscape. These stewardship practices were widely adopted by producers, resulting in measurable improvements to soil quality over a 25-year period. The national Agri-Environmental Soil Quality Index improved from *Average* condition in the early 1980s to *Good* in 2001.*

Another example of success in achieving environmental goals is in the area of Air Quality. Estimates indicate a four-per-cent reduction in net Greenhouse Gas (GHG) emissions between 1981 and 2001.* This trend is largely attributable to an increase in soil carbon sequestration related to agronomic practices such as reduced summer fallow and conservation tillage.

Although considered in the *Good* range for environmental performance, the deteriorating trend associated with Water Quality is due to an increase in the risk of water contamination from higher amounts of nitrogen being added to crops in the form of fertilizer and manure. At the same time, the deteriorating trend associated with Biodiversity, although considered in the *Average* range for environmental performance, is due to a shift in land use to more intense production and away from pastures and natural land.

To mitigate the deteriorating trends associated with Water Quality and Biodiversity, AAFC has provided technical and financial assistance to support adoption of beneficial management practices by agricultural producers and land managers. These include practices such as nutrient management planning, improved manure storage and handling, farmyard runoff control, water well management, enhancing riparian and agro-ecosystem health, and shelterbelt establishment.

To achieve further progress in addressing environmental issues, in 2008-09, AAFC provided programs to farmers that helped them identify environmental risks and opportunities and promoted the continuous growth of the stewardship ethic within the sector. The department supported farmers through agri-environmental risk assessment and planning. It gave farmers access to expertise, information and incentives to increase the adoption of sustainable agriculture practices at the farm and landscape levels. AAFC investigated and developed new approaches that encourage and support sustainable agriculture practices. These programs also raised farmer and sector awareness of the economic value of sustainable agriculture practices.

* The next National Agri-Environmental Health Analysis and Reporting Program is due in the fall of 2009; it will report on the period up to 2006.

Lessons Learned

In response to the increasing public and market focus on environmental issues, AAFC will build on its agri-environmental achievements by continuing to work with other federal departments and provincial and territorial governments. Together, governments will help the sector move from a reactive, issue-based approach, to a proactive approach that will strive for higher environmental performance.

The Government of Canada and Canadians have two key environmental priorities: (1) clean, accessible water and (2) mitigation of GHG emissions and adaptation to climate change. Past successes in helping the sector make better land- and water-management decisions will inform AAFC's environmental activities and programs, and provide clearer links between profitability of the sector and environmental performance.

In the future, AAFC will build on these links by continuing to promote and foster beneficial management practices aimed at enhancing environmental stewardship and improving the trends associated with Water, Air, Soil, and Biodiversity indices. AAFC will strengthen its ability to measure the national and regional impact of its policies and programs on environmental performance. The department will also continue to direct research towards understanding the interaction between agriculture and the environment. AAFC's programs will focus on improving the ability of the sector to make informed decisions on new and emerging priorities. Departmental resources will be focused on the continual improvement of program delivery efficiency and effectiveness, with particular attention to regional flexibility.

Strategic Outcome 3 – Innovation for Growth

Success in the marketplace requires advanced technology and the latest knowledge to address the rapidly changing environment in which the sector competes. While a good foundation and capacity for innovation does exist in Canada, there is an ongoing need to improve the transformation of this scientific and technical knowledge into commercial and other practical applications that enhance the profitability and competitiveness of the sector.

As farming operations become more knowledge-intensive, producers need to continually enhance their skills and knowledge in areas ranging from managing financial and human resources to mastering innovative technologies, products and practices. By acquiring new skills, adopting new technologies, and maximizing efficiencies in operations, those who earn their livelihood from Canadian agriculture and agri-food will have a greater likelihood of profitability.

Program Activity by Strategic Outcome

Program Activity 3.1 – Innovation and Renewal					
Equipping the industry with new business and management skills, bioproducts, knowledge-based production systems and strategies to capture opportunities and manage change					
2008-09 Financial Resources (\$ millions) – Net			2008-09 Human Resources (FTEs*)		
Planned Spending	Total Authorities	Actual Spending	Planned	Actual	Difference
465.2	708.2	677.0	2,013	2,091	78

* Full-time Equivalents

Expected Result	Performance Indicator	Target	Performance Status	Performance Summary
Participating farmers and farm families meet their financial goals	Percentage of participating farmers and farm families who are meeting their financial goals	50% by March 31, 2014	Exceeded	57% of Farm Business Assessment participants indicated the program helped them reach their financial goals. 80% of Canadian Agricultural Skills Service participants indicated the program helped them reach their most important goal (for 60% of participants surveyed, their most important goal was financial).
Agriculture and agri-food sector develops innovative, market-focused strategies that utilize science to transform commodities into new value-added opportunities for processors, producers and rural communities and new life-sciences products for consumers	% increase in venture capital investment in agriculture-related enterprises (biotechnology and further food processing)	10% by March 31, 2014	Mostly Met	In 2006 bioproduct firms raised \$219 million, primarily for research and development, production and manufacturing capability, and marketing and commercialization. Contributions mainly originated from private placements, government grants and Canadian venture capital. (Data source: Study: Bioproducts Industry by Statistics Canada; www.statcan.gc.ca/daily-quotidien/090611/dq090611c-eng.htm) In making progress toward the 5-year goal for this Program Activity, AAFC is meeting or exceeding its targets at the PSA and PSSA levels. Please see the Performance Analysis for a description of progress at these lower levels.

Benefits for Canadians

In the 2008 Throne Speech, the government stated that advances in science and technology are essential to strengthen the competitiveness of Canada's economy. It also noted the importance of working with industry to apply the best Canadian scientific and technological know-how to create innovative business solutions.

Under the Innovation and Renewal Program Activity, AAFC encouraged private-sector investment in the new bio-economy, generating increased employment and providing enhanced market opportunities for Canadian agri-food and non-food products.

Renewal programs under this Program Activity assisted both new and established farmers in assessing their business circumstances, reviewing options, acquiring skills and resources, and adopting beneficial business management practices.

Canadians benefited from Renewal programs under this Program Activity as they helped reduce the demand for taxpayer support to the sector. Producers made more intensive use of business information to become more profitable and to invest in value-added opportunities, helping generate new sources of export income for Canada. On-farm safety awareness, a component of the Renewal programs, has the potential to contribute to reduced health care costs as increased awareness translates into reduced farm accidents.

Performance Analysis

As one of the most significant contributors to science and technology in Canada, AAFC worked to ensure its investments and efforts in science and innovation continued to be relevant to the sector and all Canadians. The department supported industry-led innovation by strengthening the industry's innovation capacity across the agricultural value chains.

The Broker and Agri-Innovation Program had many accomplishments in its final year. Highlights included:

- development of a sector-wide plan to align current and future innovation investments for Alternative Renewable Fuels;
- a *Flax Sustainability Plan* for 2008-11 to develop opportunities that flax offers in the areas of health and wellness, livestock production and environmental sustainability; and
- advancement of Canada's functional food and natural health product sector by fostering strategic clusters, investment and market development.

Science and Innovation programming continued to support research in areas important to the industry and Canadians. Through its external and internal evaluation of research proposals, the department helped ensure excellence in conducting and managing science and research efforts, and alignment with the sector's and Canadians' priorities, as outlined in AAFC's *Science and Innovation Strategy* (<http://www4.agr.gc.ca/AAFC-AAC/display-afficher.do?id=1183758760632&lang=eng>). AAFC's evaluation processes supported the Government of Canada's commitment to transparent decision-making, value for money and accountability for results in the delivery of its activities and services to Canadians.

For an inventory of AAFC research projects, please see <http://www4.agr.gc.ca/AAFC-AAC/display-afficher.do?id=1208366237788&lang=eng>.

As noted in the preceding table, only the first year of work has been completed toward the five-year target for this Program Activity, as it relates to Innovation. At this point in time, progress is reflected in achievements at the lower levels of the overall Performance Framework.

The department has a long and proud history of developing wheat germplasm and cultivars for the benefit of Canada and Canadians. For example, the impact of the AAFC wheat breeding program has been significant. In 2008, varieties developed by AAFC comprised over 65 per cent of production of Canadian Western Red Spring wheat, a premiere bread-making wheat. AAFC-developed varieties occupied over 95 per cent of the Canadian Western Amber Durum acreage that produced wheat for pasta and cous-cous. (<http://www.cwb.ca/public/en/newsroom/releases/2008/100908.jsp>).

A malting barley variety, AC Metcalfe, developed by AAFC researchers, was grown on 56 per cent of the farm acreage in Canada last year.

In 2008-09, AAFC signed 518 new agreements with research partners, of which 383 were with Canadian partners and 135 were with international partners. This represents a slight increase from 496 agreements in 2007-08, indicating growing industry interest in the research undertaken by AAFC. The department's research in bioproducts and bioprocesses resulted in 49 commercialization licences (up from 29 licences in 2007-08), demonstrating successful uptake of technologies and varieties resulting from the department's science.

AAFC encouraged greater participation in the emerging biofuels industry, helping to diversify the economic base through the ecoAgriculture Biofuels Capital initiative and programs, which included the multi-year Agriculture Bioproducts Innovation Program (ABIP), Agri-Opportunities, and the Biofuels Opportunities for Producers Initiative.

With regards to the Renewal component of this Program Activity, the National Renewal Survey in 2007 indicated that positive change had occurred in farm management since 2004. The survey suggested producers have increased their use of training, particularly in the areas of environment and marketing. Training in all topics related to business management is also showing an increase. Producers adopted new technology and incorporated new business management activities, including a significant increase in the use of mentors. Those producers who made changes to their operations did so, by and large, on the basis of research and analysis.

Renewal programs under the now-concluded Agricultural Policy Framework fell under two main streams: (1) business management and (2) skills development. Drawing an example from programming under the business management stream, 57 per cent of Farm Business Assessment participants surveyed indicated the program helped them reach their financial goals. Many participants attributed these results to better farm management. Under skills development, 80 per cent of Canadian Agricultural Skills Service participants surveyed indicated that the program helped them reach their most important business goal (for 60 per cent of participants surveyed, their most important goal was financial, which included nine per cent looking for off-farm income).

Lessons Learned

The continuing collaboration at the federal, provincial and territorial level in terms of feedback instruments and sharing tools and information has been essential to achieving successful results. This practice is being continued in Growing Forward.

While national programming ensured producers across Canada had access to the same services, it was considered too rigid and not responsive enough to specific regional needs and priorities. Under Growing Forward, the federal government has agreed to fund provincial programming which will provide the necessary flexibility to address regional priorities, and to fund certain national organization activities that meet the business development objectives which will give clients across the country access to resources and support at a national level.

New programs that utilize novel structures for delivery of science, such as the Agricultural Bioproducts Innovation Program (ABIP), require appropriate lead time to develop necessary communication and administration tools and access resources. This will help ensure that internal and external stakeholders are provided clear, consistent, timely, and accurate messages on all aspects of the program requirements.

Program Activity 3.2 – Rural and Co-operatives Secretariats					
Helping rural Canada develop and maintain strong, adaptable and vibrant communities, and encouraging the economic growth and social development of Canadian society through co-operative enterprises					
2008-09 Financial Resources (\$ millions) – Net			2008-09 Human Resources (FTEs*)		
Planned Spending	Total Authorities	Actual Spending	Planned	Actual	Difference
29.5	25.9	22.7	114	114	-

* Full-time Equivalents

Expected Result	Performance Indicator	Target	Performance Status	Performance Summary
Innovative Canadian communities benefiting from economic opportunity	Number of new partnerships bringing together community, industry and stakeholders	6 by March 31, 2009	Met All	6 new partnership initiatives were undertaken in 2008-09.

Benefits for Canadians

Initiatives under the Rural and Co-operatives Secretariats Program Activity helped increase access by Canada's rural communities to information, tools and services aimed at fostering economic and social development. Canadians were also provided with support to help launch or expand co-operatives, thus generating further economic activity and creating jobs. During 2008-09, 80 co-op projects were supported.

Performance Analysis

AAFC's Rural Secretariat continued work to ensure the rural dimension was taken into consideration in formulating federal policies and programs; this was in large part due to enhancement to existing partnerships, including the Rural Development Network and the Community Information Database. It was also instrumental in developing partnership projects, such as the Nunavut Economic Forum, bringing together communities, industry and other stakeholders, to advance Rural Canada's social and economic agendas.

The Co-operative Development Initiative was enhanced by broadening services delivered by the sector to include the provision of financial support for testing innovative applications of the co-op form of enterprise. In addition, work began to involve the co-operatives sector and academics in a national research agenda on co-operatives. This work is aiming at building synergy among stakeholders, as well as leveraging funding, to increase knowledge of best practises, issues and opportunities, related to co-operatives. Increased knowledge will help enhance co-operatives' contributions to innovation and growth in Canada's economy.

Lessons Learned

As a result of lessons learned, AAFC began to make increased use of third-party agents to deliver more effectively the Co-operative Development Initiative, and to strengthen even further partnerships with regional and community organizations to stimulate new economic activities in rural Canada.

Program Activity 3.3 – Canadian Pari-Mutuel Agency					
Enhancing CPMA's capacity to manage risk in pari-mutuel betting, thereby helping to protect the betting public against fraudulent activities					
2008-09 Financial Resources (\$ millions) – Net			2008-09 Human Resources (FTEs*)		
Planned Spending	Total Authorities	Actual Spending	Planned	Actual	Difference
-	3.6	(0.8)	57	57	-

* Full-time Equivalents

Expected Result	Performance Indicator	Target	Performance Status	Performance Summary
Pari-mutuel betting is conducted in a way that is fair to the Canadian betting public	Compliance with pari-mutuel betting regulations for Canadian-hosted pools audited by CPMA officers	95% by March 31, 2009 (% of compliant pools of those audited)	Exceeded	All Canadian-hosted pari-mutuel pools were calculated and distributed in accordance with Pari-Mutuel Betting Supervision Regulations.
	Compliance with betting theatre regulations	95% by March 31, 2009 (% of compliant betting theatres per those inspected)	Exceeded	All betting theatres inspected were in compliance with regulations.

Benefits for Canadians

Work on this Program Activity helped ensure that pari-mutuel betting is consistent with federal regulations and policies. Canadians can be assured that all reasonable steps were taken so that betting on horse racing was conducted fairly.

Performance Analysis

The Canadian Pari-Mutuel Agency is a special operating agency within AAFC that regulates and supervises pari-mutuel betting at horse tracks across Canada. Its objective is to ensure that such betting is done in a fair manner and to safeguard against fraudulent activities. In 2008-09, the Agency measured compliance with federal regulations by hosted pools and betting theatres. The compliance rate for both measures was 100 per cent, exceeding targets of 95 per cent.

Lessons Learned

While performance measures confirmed ongoing regulatory compliance targets were surpassed, a review of operational reports indicated areas where performance could be enhanced. The review indicated regional discrepancies concerning the frequency of licensed betting theatre inspections. CPMA will implement procedures to ensure that a more representational mix of licensed betting outlets in each region in Canada is inspected each fiscal year. The agency is also looking to improve its oversight operations to provide further assurance that Canadians continue to benefit from correctly calculated pay-out prices.

Supplementary Information

Financial Highlights

The financial highlights presented within this DPR are intended to serve as a general overview of AAFC's financial position and operations. More detailed information is provided in the department's financial statements, which can be found on AAFC's website at:
<http://www4.agr.gc.ca/AAFC-AAC/display-afficher.do?id=1250266078483&lang=eng>.

(\$ thousands)

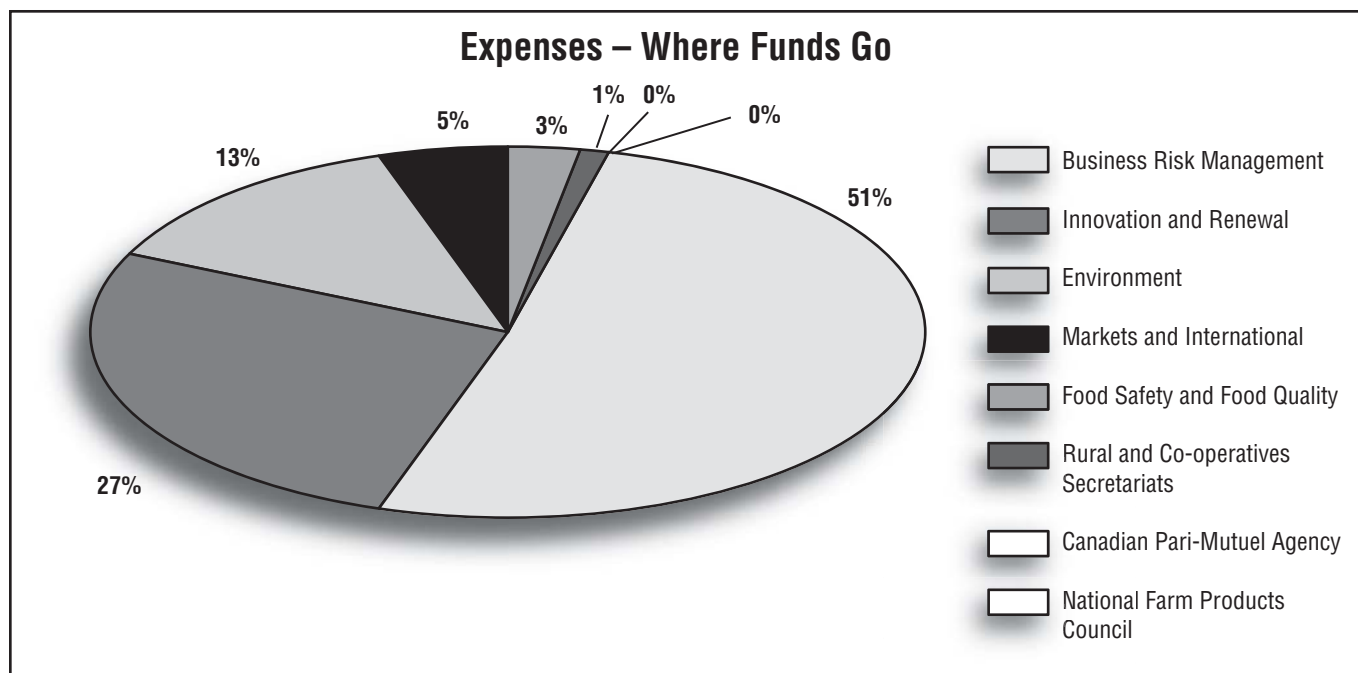
Condensed Statement of Financial Position			
At End of Year (March 31, 2009)	% Change	2009	2008
ASSETS			
Total Assets	3%	2,330,959	2,258,837
TOTAL	3%	2,330,959	2,258,837
LIABILITIES			
Total Liabilities	-2%	2,795,844	2,859,769
EQUITY OF CANADA			
Total Equity	-23%	(464,885)	(600,932)
TOTAL	3%	2,330,959	2,258,837

(\$ thousands)

Condensed Statement of Operations			
At End of Year (March 31, 2009)	% Change	2009	2008
EXPENSES			
Total Expenses	-13%	2,733,858	3,124,360
REVENUES			
Total Revenues	101%	336,762	167,741
NET COST OF OPERATIONS	-19%	2,397,096	2,956,619

Departmental assets include capital assets supporting primarily the research activities of the department that contributed to the strengthening of innovation capacity within the sector in 2008-09. Liabilities consist primarily of accounts payable and accrued liabilities at year end, the majority of which are related to accruals in support of grants and contribution programs such as the AgriStability program that was delivered in 2008-09.

Expenses incurred by AAFC supported programs and services that benefited Canadians during 2008-09, are detailed in the following chart:



Total expenses for the department were \$2,734 million in 2008-09. The majority of funds, \$1,404 million or 51 per cent, were spent in the Business Risk Management program activities. Innovation and Renewal and Environment program activities represented another \$1,080 million or 40 per cent.

List of Supplementary Information Tables

The following tables are located on the Treasury Board of Canada Secretariat's website:
<http://www.tbs-sct.gc.ca/dpr-rmr/2008-2009/index-eng.asp>.

- Sources of Respendable and Non-Respendable Revenue
- User Fees/External Fees
- Details on Project Spending
- Status Report on Major Crown Projects
- Details on Transfer Payment Programs (TPPs)
- Up-Front Multi-Year Funding (Formerly the Foundations [Conditional Grants] table)
- Horizontal Initiatives
- Sustainable Development Strategy
- Green Procurement
- Response to Parliamentary Committees and External Audits
- Internal Audits and Evaluations
- Canadian Pari-Mutuel Agency Revolving Fund