



Canadian Food Inspection Agency

Performance Report

For the period ending
March 31, 1998

Canada

Improved Reporting to Parliament Pilot Document

The Estimates of the Government of Canada are structured in several parts. Beginning with an overview of total government spending in Part I, the documents become increasingly more specific. Part II outlines spending according to departments, agencies and programs and contains the proposed wording of the conditions governing spending which Parliament will be asked to approve.

The *Report on Plans and Priorities* provides additional detail on each department and its programs primarily in terms of more strategically oriented planning and results information with a focus on outcomes.

The *Departmental Performance Report* provides a focus on results-based accountability by reporting on accomplishments achieved against the performance expectations and results commitments as set out in the spring *Report on Plans and Priorities*.

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Foreword

On April 24, 1997, the House of Commons passed a motion dividing on a pilot basis what was known as the annual *Part III of the Estimates* document for each department or agency into two documents, a *Report on Plans and Priorities* and a *Departmental Performance Report*.

This initiative is intended to fulfil the government's commitments to improve the expenditure management information provided to Parliament. This involves sharpening the focus on results, increasing the transparency of information and modernizing its preparation.

This year, the Fall Performance Package is comprised of 80 Departmental Performance Reports and the government's "*Managing For Results*" report.

This *Departmental Performance Report*, covering the period ending March 31, 1998, provides a focus on results-based accountability by reporting on accomplishments achieved against the performance expectations and results commitments as set out in the department's *Part III of the Main Estimates* or pilot *Report on Plans and Priorities* for 1997-98. The key result commitments for all departments and agencies are also included in *Managing for Results*.

Results-based management emphasizes specifying expected program results, developing meaningful indicators to demonstrate performance, perfecting the capacity to generate information and reporting on achievements in a balanced manner. Accounting and managing for results involve sustained work across government

The government continues to refine and develop both managing for and reporting of results. The refinement comes from acquired experience as users make their information needs more precisely known. The performance reports and their use will continue to be monitored to make sure that they respond to Parliament's ongoing and evolving needs.

This report is accessible electronically from the Treasury Board Secretariat Internet site:
<http://www.tbs-sct.gc.ca/tb/key.html>

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Canadian Food Inspection Agency

Departmental Performance Report, 1997-98

Lyle Vanclief
Minister of Agriculture and Agri-Food

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Chart of Key Result Commitments

To provide Canadians with:	To be demonstrated by:	Achievements reported in:
Federal inspection and related services for food and animal and plant health:	- CFIA's contribution to a safe food supply and accurate product information	Pages 25-33
	- CFIA's contribution to the continuing health of animals and plants for the protection of the resource base	Pages 34-39
	- CFIA's facilitation of trade in food, animals, plants and their products	Pages 39-45

I - Message

Minister's Message



Lyle Vanclief
Minister of
Agriculture and
Agri-Food

I am pleased to present the first Departmental Performance Report for the Canadian Food Inspection Agency (CFIA). The creation of the Agency was a key priority of the Government of Canada, aimed at improving overall food inspection service to Canadian consumers and industry while emphasizing the government's overall priorities respecting the health of Canadians, providing opportunities through trade, and cooperation among all levels of government.

During the first year of operations, 4,500 staff and 19 programs from four different federal departments came together to provide service to Canadians from a single agency. It is the expertise and dedication of these individuals that ensured that service to clients was maintained without interruption during this transition year.

This report demonstrates the CFIA's first year of progress along the path laid out in the first CFIA Corporate Business Plan. Canadians continue to benefit from one of the safest and highest quality food supplies in the world. The progress made by the CFIA during its first year will help maintain the reputation of Canadian food both at home and abroad.

Canada's international reputation for producing safe foods, and disease and pest free animal and plant products continues to strengthen the Canadian economy by opening doors to trade. This report outlines initiatives taken to capitalize on Canada's status by improving the access of Canadian products to new and existing markets.

The CFIA has reduced overlap and duplication, improved service delivery, and improved federal/provincial harmonization. As a result of the changes that have been made, the CFIA and its partners in the food chain are prepared for the future. In today's world of rapidly evolving technologies and demanding domestic and foreign markets, the CFIA is well equipped to protect the health of Canadians, and to support trade in food and animal and plant products.

As we approach the new millennium, Canadians continue to receive high quality food inspection and related services, and through the efforts of the CFIA and its partners, these services are evolving to meet the challenges ahead.

II - Departmental Overview

The Canadian Food Inspection Agency

Our Mandate:

To enhance the effectiveness and efficiency of federal inspection and related services for food and animal and plant health.

Our Mission:

Safe food, market access, consumer protection.

Our Objectives:

- . To contribute to a safe food supply and accurate product information;
- . To contribute to the continuing health of animals and plants for protection of the resource base;
- . To facilitate trade in food, animals, plants and their products.

Our Priorities:

- . Enhance effectiveness and efficiency of the inspection system;
- . Facilitate market access;
- . Enhance intergovernmental cooperation;
- . Address consumer issues; and
- . Maintain a skilled and competent staff.

Our Values:

- . *Workplace and People Values:*
Professionalism, Respect, Commitment and a Positive Outlook;
- . *Employment Values:* Merit, Employment Equity, Mobility and Performance Recognition;
- . *Leadership and Management Values:*
Openness, Integrity, Trust and Teamwork.

Making It Happen

Circumstances leading to the creation of the Canadian Food Inspection Agency (CFIA) had their beginnings with the Government's 1994 Program Review and Report of the Auditor General. An interim Office of Food Inspection Systems was formed in May 1995, with a mandate to explore options to "improve the effectiveness and cost efficiency of the federal component of the Canadian food inspection system".

In its 1996 budget, the Government of Canada announced that all federally-mandated food inspection and animal and plant health services would be consolidated into a single food inspection agency, reporting to Parliament through the Minister of Agriculture and Agri-Food.

Much preparation was required for the CFIA to begin operations and facilitate a seamless transition that would assure continuation of the high-quality service that clients have come to expect.

The start of operations of the CFIA on April 1, 1997, was a natural evolution of Canada's internationally-respected food and animal and plant health inspection systems.

1997-98: The Year of Transition

In its first year of operation, the CFIA focused on continuing its operations without interruption in service, while fulfilling its primary responsibility – to contribute to the production and trade of safe food. This responsibility had to be met without losing sight of the federal government's expectations for improvements in the efficiency and effectiveness of the Canadian food inspection system. Progress was made through a broad range of management and operational activities aimed at contributing to consumer protection, facilitating market access, improving service delivery and reaching a higher

level of collaboration with industry and the provinces and territories. Elimination of interdepartmental duplication in areas such as inspection, enforcement, risk management and laboratory services has advanced food safety systems. All federal inspection services in the areas of food safety, animal and plant health, trade-related requirements and the prevention of economic fraud now are provided by the CFIA.

Bringing together inspection services previously distributed across four federal government departments – Agriculture and Agri-Food Canada, Fisheries and Oceans Canada, Health Canada and Industry Canada – will contribute to significant cost savings and improvements in efficiency. The fiscal framework for 1998-99 has been reduced by \$44 million.

June 1993	Dissolution of Consumer and Corporate Affairs Canada and transfer of Manufactured Food Labelling Inspection Activity to Agriculture and Agri-Food Canada (AAFC)
1994	Government-wide Program Review
1994	Report of the Auditor General
February 1995	Federal budget highlights the need to improve effectiveness and efficiency of the food inspection system
May 1995	Creation of the Office of Food Inspection Systems to explore organizational options
August 1995	Industry Canada's Retail Food Labelling Inspection transferred to AAFC
March 1996	Federal budget announces intention to create a single agency responsible for federal food inspection and animal and plant health services
July 1996	Health Canada food inspectors transferred to AAFC; AAFC's Guelph risk assessment laboratory transferred to Health Canada
March 20, 1997	<i>CFIA Act</i> creates a single agency responsible for federal food inspection and animal and plant health services
April 1, 1997	CFIA start of operations

Table 1 Chronology of events leading to the creation of the Canadian Food Inspection Agency

The Agency continues to share the cost of providing certain services with its industry partners. The cost recovery initiative generated about \$43 million in 1997-98. The majority of this revenue was generated from activities for the following sectors: feed, fertilizer and seed (\$2.8M); fresh and processed fruit and vegetables, dairy and shell eggs (\$6.9M); animal health (\$4.7M); plant health (\$3.5M); meat inspection (\$16.8M) and fish inspection (\$6.1M).

Our Responsibilities

The CFIA is responsible for the administration and enforcement of the following acts: *Agriculture and Agri-Food Administrative Monetary Penalties Act, Canada Agricultural Products Act, Canadian Food Inspection Agency Act, Feeds Act, Fertilizers Act, Fish Inspection Act, Health of Animals Act, Meat Inspection Act, Plant Breeders' Rights Act, Plant Protection Act and Seeds Act.*

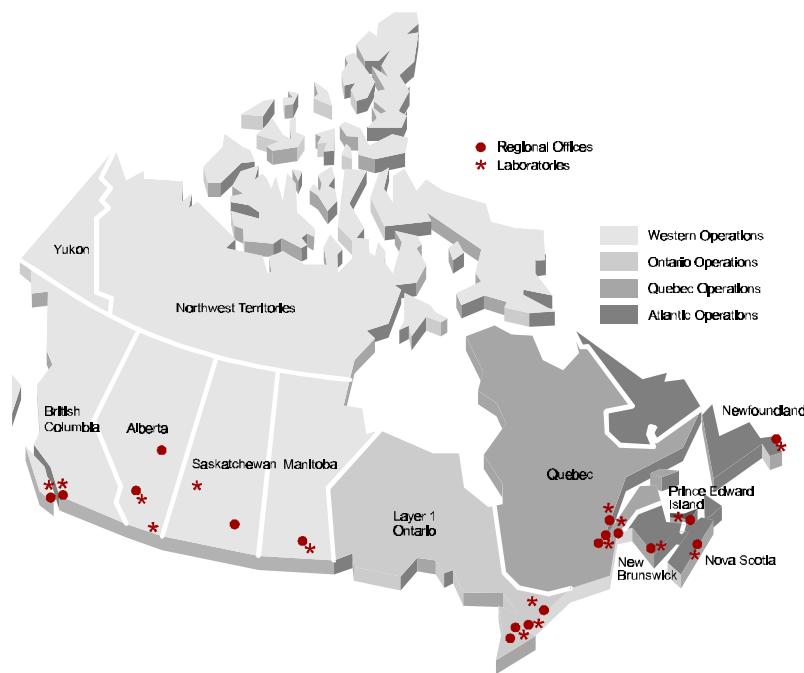
In addition, the Agency is responsible for enforcing the *Consumer Packaging and Labelling Act* and the *Food and Drugs Act* as they relate to food, and administering the provisions of the *Food and Drugs Act* as it relates to food (except those provisions of the *Act* that relate to public health, safety and nutrition).

The creation of the CFIA clearly reinforces the division of federal powers between the Minister of Agriculture and Agri-Food and the Minister of Health. The Minister of Agriculture and Agri-Food, through the CFIA, retains responsibility for establishing animal and plant health standards and providing related inspection activities. With regard to food, the CFIA conducts all federal food inspection activities while Health Canada establishes policies and standards relating to the safety and nutritional quality of food sold in Canada. In addition, Health Canada assesses the effectiveness of the Agency's activities related to food safety.

Our Workforce

The CFIA is committed to delivering services in the most effective and efficient manner possible. The Agency is headquartered in the National Capital Region. It delivers programs in all of Canada's provinces and territories through four area operations centres – Atlantic, Quebec, Ontario and Western. Some 4,500 Agency staff are located in 18 regional offices, 185 field offices (including border points of entry), 408 third-party premises (such as slaughter establishments) and 22 laboratories and research facilities.

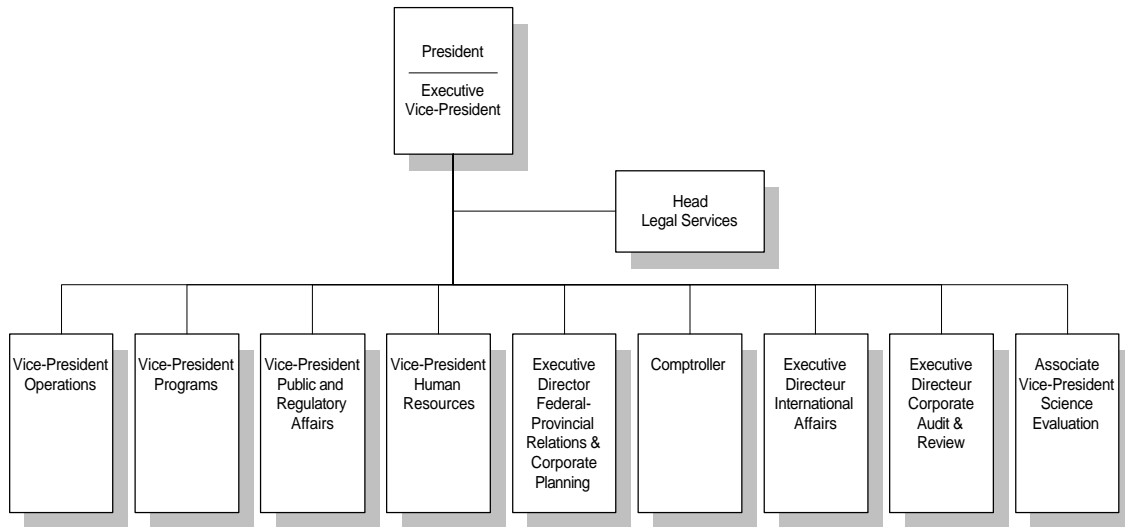
Figure 1 CFIA Regional Offices and Laboratories



Organizational Structure

The CFIA is led by a President who reports to the Minister of Agriculture and Agri-Food. The President is supported by an Executive Vice-President. Table 2 outlines the current division of responsibilities within the CFIA.

Table 2 Organizational Structure of the CFIA



Minister's Advisory Board

A 12-member advisory board was appointed in December 1997. The Board provides direct advice to the Minister on broad policy issues relating to the responsibilities of the CFIA. Board members were chosen for their knowledge and experience in areas directly related to the mandate of the Agency. The Advisory Board is supported by a Secretariat located at CFIA headquarters.

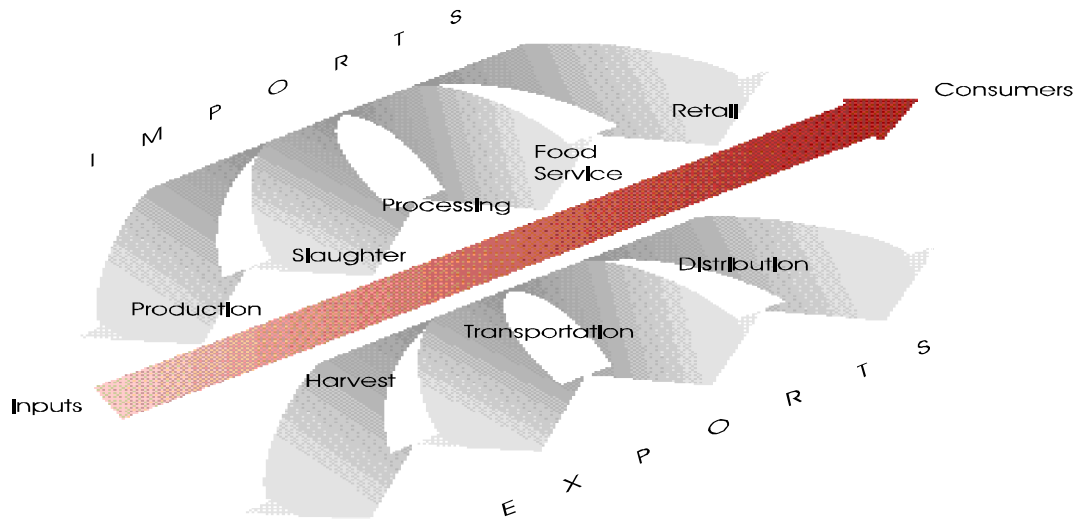
Our Clients

Our inspection system works along the food continuum, from inspecting input materials on the farm, to verifying that consumers enjoy food products that meet consistently high standards.

Our clients include all Canadian stakeholders in the food continuum – consumers, farmers, fishers, manufacturers of food products and agricultural inputs, related suppliers, importers and exporters, brokers, distributors, retailers, stakeholders in the lumber industry, and the associations representing any of these client groups.

Figure 2

The Food Continuum



The CFIA provides inspection and related services for animals and plants and their products, ranging from inputs such as veterinary biologics, to lumber and nursery products, to medicated feeds and seeds, to fresh foods, including meat, fish, eggs, dairy products, fruit and vegetables, as well as prepared and packaged foods.

Our Approach to Business

Consultation

The Agency firmly believes that consultation is one of the most effective ways of identifying and managing issues and concerns, of staying on top of the latest trends in the industry and of better understanding clients' needs and concerns. The Agency holds ongoing consultations with a broad range of clients, including consumers, industry, the provinces and territories, interest groups, unions and staff.

The Agency has also identified advisory groups at various levels. For example, a group of industry and consumer advisors has been consulting with the Executive Committee on a range of strategic issues, and technical advisory groups provide input at the program level.

Partnerships

Food safety is a shared responsibility. Maintaining the integrity of the food, animal and plant health system is a complex task which the CFIA addresses in partnership with provincial/territorial governments, industry and consumers, as well as other federal departments.

Intergovernmental Cooperation

The CFIA continues to build partnerships with provincial/territorial governments and pursues efforts in establishing cross-designation of inspectors, develops and enters into agreements to provide integrated inspection services, and explores the possibilities of forming corporations. The Agency is also a member of the Canadian Food Inspection System Implementation Group (CFISIG). The Group is an interdepartmental/intergovernmental committee established to advance the goal of all parties – a fully-integrated inspection system. Other members include representatives of agriculture, health and fisheries departments, from federal, provincial, territorial and municipal governments. Governments have recognized the value of working together, through the CFISIG, in developing common legislative and inspection approaches to food safety. In the past year, the CFISIG has achieved considerable progress and has built positive upon government/client partnerships to propose national standards and voluntary codes of practice.

Risk-Based Inspection Systems

The CFIA is committed to the continued adoption of inspection systems based on the principles of scientific risk assessment and to the allocation of resources to activities that result in effective risk management.

Risk assessment is an area of shared responsibility between the CFIA and Health Canada – Health Canada identifies and assesses risks to human health and safety; the CFIA assesses risks to animal and plant health. Managing the risks is the collaborative responsibility of the Agency and its industry and government partners.

The evolution of new inspection methodologies is changing the approach taken to inspection around the world. The CFIA, in consultation with its clients, is developing an Integrated Inspection System (IIS), that will entail charting the food continuum from production to consumption, identifying the hazards along the continuum, examining the effectiveness and efficiency of the control strategies in place and designing new strategies where required. At the heart of the CFIA's IIS are the principles of Hazard Analysis Critical Control Point (HACCP).

- Identification of hazards and development of preventative measures;
- Determination of Critical Control Points (CCPs) required to control the identified hazards;
- Establishment of limits that must be met at each CCP;
- Appropriate monitoring procedures for CCPs;
- Establishment of deviation procedures at CCPs;
- Procedures for verification that an HACCP plan is working; and
- Documentation of all procedures and records appropriate to the above principles.

Table 3 Seven CFIA principles for the development of an HACCP plan

Participating in International Organizations

The Agency is actively involved with international organizations for the purpose of maintaining and expanding international market access and protecting Canada's interests by reducing non-tariff trade barriers, influencing the development of international standards and encouraging the adoption of science-based sanitary and phytosanitary requirements. The CFIA participates in multilateral organizations such as the World Trade Organization (WTO), Codex Alimentarius, the North American Free Trade Agreement (NAFTA), the North American Plant Protection Organization (NAPPO), the International Plant Protection Convention (IPPC) of the Food and Agriculture Organization (FAO) and the Office International des Épizooties (OIE).

Reviewing Legislation

The CFIA, in partnership with Health Canada, identified the need for a comprehensive review of the legislation they administer. This was confirmed during consultations with consumers, industry and public-sector partners. As a result, a Task Force on Legislation was established to prepare a plan for legislative renewal to assist the Agency in developing:

- a more uniform, consistent and comprehensive approach to safety and quality standards and related requirements, combined with an efficient and effective compliance and enforcement system; and
- legislation that is up to date, coherent, rational, user-friendly and simple to administer.

A discussion paper entitled “Legislative Renewal: Exploring options for legislative change” was distributed nationally in December 1997. Consultations with stakeholders in early 1998 formed the basis of a plan to modernize and consolidate legislation administered and/or enforced by the CFIA. The plan is currently in the approval process.

In parallel with the Task Force's review is a federal-provincial-territorial initiative to develop a Common Legislative Base/Common Regulatory Base (CLB/CRB) for food law in Canada. The CLB/CRB initiative is being undertaken through the CFISIG. The intent is to create harmonized national food safety and quality standards and a common legislative framework to ensure equivalence of all food legislation at both federal, provincial and territorial levels.

The goal of these legislative initiatives is to provide uniform health and safety standards for all Canadians and an equivalent approach to industry regulation. This will benefit

consumers and industry, as well as contribute to the Agency's goal of safe food, market access and consumer protection.

Support Activities

The CFIA's reputation of delivering Canada's internationally-respected food, animal and plant inspection systems is dependent upon strong scientific and program support.

Laboratory Support

Agency scientists support CFIA programs through laboratory analysis and the provision of expertise to maintain domestic and international confidence in the CFIA's programs and standards.

The CFIA provides a range of laboratory services across Canada. They include:

Our laboratory staff protect human, animal and plant health by providing expertise which controls and prevents diseases and other chemical, food-borne and physical hazards.

- ▶ chemical, microbiological and physical analytical services related to foods, feeds, fertilizers and seeds;
- ▶ diagnostic testing standards, technology development and transfer, laboratory accreditation, scientific advice and analytical capability for animal diseases and plant pests;
- ▶ technical expertise to support the development and operation of evolving inspection practices; and
- ▶ responding to consumer complaints.

Communications, Corporate and Support Services

Communications, corporate and support services staff facilitate the day-to-day operations of the Agency and the delivery of its multi-faceted programs. They ensure that both internal and external lines of communication are well established and nourished, manage the Agency's finances, properties and informatics systems and provide secretarial and clerical assistance to the staff responsible for program development and delivery.

Human Resources (HR)

Following the 1996 Government decision to consolidate all federally-mandated food inspection and quarantine services, the first task was to identify staff in the parent departments whose positions would move to the Agency. Ninety-nine per cent of those employees accepted offers of employment with the Agency and were given a two-year employment guarantee.

Upon its creation, the CFIA became a separate employer and, as such, assumed the authorities previously held by Treasury Board in collective bargaining, classification system, HR policies and programs, Executive Regime, Occupational Safety and Health, and Staff Relations.

During the past fiscal year, a significant amount of work was done in preparation for April 1, 1998, when, under the *CFIA Act*, the Agency would no longer be subject to the *Public Service Employment Act (PSEA)*. The CFIA then assumed responsibility for developing its own staffing and recruitment policies and for the infrastructure to deliver them.

The Agency set out to broaden the scope of input to HR decision-making by creating an advisory committee structure for all HR-related matters and developing an HR Strategy to support its Corporate Business Plan. Consultations with staff focused on the identification of values and principles upon which the Agency would build its HR framework and carry out its business. The HR Strategy identifies the values and principles articulated by employees, and outlines the Agency's key HR challenges and the approach to address these challenges:

1. development of HR programs, systems, policies and services to support HR Strategy;
2. development of an accountability framework that defines roles and responsibilities;
3. establishment of performance indicators, critical success factors and monitoring mechanisms;
4. development of Operational Human Resource plans; and
5. continued consultation regarding strategic HR issues.

As a separate employer, the Agency identified several policies to review and/or adapt to meet its requirements. One of the first to be developed was an Agency version of a workforce adjustment policy, known as the Employment Transition Policy. Under this policy, more than 300 volunteers took advantage of a departure program.

Following further consultations with employees in February 1998, the Agency is developing a variety of HR programs, based on the HR Strategy. The Agency will be

proceeding with the introduction of an integrated development program which will link programs such as performance evaluation, career management, rewards and recognition and succession planning. The expected benefits include a consistent promotion of core values and a single continuum for the management of HR programs.

“I ...want to congratulate you on the way the agency is dealing with human resources management and the question of values. I was pleased to learn that the integrated human resources program and system will be based on extensive consultation with CFIA employees.”

Jocelyne Bourgon
Clerk of the Privy
Council
and Secretary to the
Cabinet

To address business priorities and create a supportive environment for employees, the Agency has used a collaborative approach with bargaining agents to simplify the collective bargaining process and reduce the number of bargaining units to four from twenty-seven, and the number of bargaining agents to two from five. As a result, the Agency is currently engaged in its first round of collective bargaining with a greatly simplified structure operating in the best interests of all employees and the Canadian public.

The continuing development of its employees is a key component to the success of the operation of the Agency. The Agency is committed to making learning a cornerstone of managing change. During 1997-98, the CFIA spent approximately \$3.2 million on staff training. Of this, more than 70% was allocated specifically to program-related training.

The Agency is planning to develop competency profiles for all employees, starting with pilot projects in HR and the management group. These profiles will be used as a benchmark to assess the learning needs of employees and to prepare learning plans.

The Agency places great importance on Employment Equity (EE), and has established a committee focused on EE issues. It is supported by four advisory groups, each representing a group designated under EE legislation: The Visible Minority Advisory Council; The Persons with Disabilities Advisory Council; The Aboriginal Advisory and

Table 4: Program-Related Training in 1997-98:

Food Safety Enhancement Program
Quality Management Program
Hazard Analysis Critical Control Point Inspections
Administrative Monetary Penalties
Enhanced Import Operations
Environmental Management Systems
Enforcement of Humane Transport of Animals
Foreign Animal Diseases
Nursery Accreditation
Food Safety
Nutrition Labelling
Metal Can Integrity
Feed and Fertilizer
Seed Quality Systems Procedures
Meat Establishment Rating
Modernized Poultry Inspection.

Support Council; and The Women in the Workplace Council. The Agency has developed a draft strategy and workplan.

In March 1998, 93 employees were recognized under the CFIA National Recognition Program for outstanding achievements and contributions.

The CFIA consolidated HR functions and services while ensuring the availability of staffing, classification, staff relations and compensation services within each operational or program area. In addition, a National Services Section was created to respond to the need for provision of corporate HR services to each local service unit.

A solid HR foundation has been set in place during the transition year. In 1998-99, efforts will focus on the development and implementation of policies, programs and services contributing to the goal of having a qualified workforce committed to providing a service of excellence.

III - CFIA Activities and Performance

Key Results Commitments

To provide Canadians with:	To be demonstrated by:	Achievements reported in:
Federal inspection and related services for food and animal and plant health;	- CFIA's contribution to a safe food supply and accurate product information,	Pages 25-33
	- CFIA's contribution to the continuing health of animals and plants for the protection of the resource base,	Pages 34-39
	- CFIA's facilitation of trade in food, animals, plants and their products.	Pages 39-45

Canadian Food Inspection Agency	
Planned Spending	\$327,000,000
<i>Total Authorities</i>	<i>\$350,000,000</i>
1997-98 Actuals	\$330,000,000

Performance Expectations

Performance Management Framework

The CFIA Corporate Business Plan (CFIA Website at:<http://www.cfia-acia.agr.ca>) sets out the Agency's performance management framework (see Tables 8 and 9). This planning and reporting system provides a rational approach to understanding the linkages between program activities and expected results. In practical terms, the framework provides the mechanism for the planning and reporting (accountability) structure described in the *CFIA Act* – objectives and strategies to achieve these objectives, the CFIA partners involved and the expected performance to be achieved over the planning period (1997 to 2000).

While the CFIA Corporate Business Plan presents the overall performance management framework for the Agency, considerable effort is required to develop the planning and reporting systems for the various programs and operational levels within the Agency. Each program and operational area (e.g., the meat inspection program), has developed performance goals and measurement requirements. Information systems are being developed to collect and report on the performance goals. The systems will be implemented over a two- to three-year period. This length of time is needed to accommodate the significant changes to existing program management systems that require redesign to accommodate the Year 2000 requirement. As these information systems are developed and implemented, better performance information will be available to support the Agency's performance reporting requirements.

Table 5

Performance Management Framework - Programs		
Objectives	Expected Performance	
	Program/Cost Effectiveness outcomes	On-going outcomes
<p>To contribute to a safe food supply and accurate product information</p> <p>To contribute to the continuing health of animals and plants for the protection of the resource base</p> <p>To facilitate trade in food, animals, plants and their products</p>	<p>Enhanced resource utilization, example: risk-based resourcing</p> <p>Policies and programs to assist industry in designing and implementing systems to manage the risks associated with food</p> <p>Industry adoption of inspection management systems</p> <ul style="list-style-type: none"> ● Food Safety Enhancement Program for registered agr.-food processing establishments ● Quality Management Program for fish processing <p>Alternative delivery: accreditation; integration; partnerships; and / or self-regulation</p> <p>Streamlined federal legislation and regulations</p> <p>Service standards that meet Agency and industry needs</p> <p>Communications</p> <ul style="list-style-type: none"> ● Enhanced access to information for external stakeholders ● Increased consumer safety awareness 	<p>Standards for safety, quality, process, and product information:</p> <ul style="list-style-type: none"> ● are met by industry (domestic and import) ● are consistent with international obligations ● legal authorities are harmonized provincially and internationally ● reflect Canadian interests and objectives ● are relevant and appropriate <p>Inspection and certification system is risk-based</p> <p>Disease and pest incursions, product deviations, and deviations from standards are effectively and efficiently managed with partners.</p> <p>Satisfaction with the certification and inspection processes</p> <p>Food, animals, plants and their products are perceived to be safe</p> <p>Industry access to markets</p> <p>Reduced technical trade barriers</p>

Table 6

Performance Management Framework - Human Resource	
Objectives	Expected Performance
<p>CFIA workforce competence is recognized by both internal and external stakeholders</p>	<p>Organization values and principles are demonstrated in organizational practices.</p> <p>Examples:</p> <ul style="list-style-type: none"> ●Professionalism ●Merit ●Trust <p>Employees have the competencies required to do their jobs, now and in the future</p>

An example of the detailed – operational level – performance management framework is presented in Table 10. The further development and implementation of the performance management framework will enhance the Agency’s ability to plan and report on performance. Until the system is fully implemented, interim performance measures will be developed.

Table 7 -- Example of A Detailed Operational Level Performance Management Framework

Operations

Objectives to be achieved:

- To contribute to a safe food supply and accurate product information.
- To contribute to the continuing health of animals and plants for the protection of the resource base.
- To facilitate trade in food, animals, plants and their products.

Expected Results	Strategies	Measures	Sources
Standards for safety, quality, process and product information are met by industry	Deliver effective inspection, monitoring and certification operations in accordance with established standards and work plans	Statistical trends of compliance at the plant/establishment level (all standards/requirements, e.g., health and safety, trade, market place fairness and quality) Effectiveness data relating to the health and safety of food, and the health of animals and plants	Corporate databases (including lab results for contaminants, pest and disease survey results and Consumer Complaint System) Opinions and comments from consumer associations and stakeholders Reports of audits conducted by Agency Program Audit Division, and other internal quality assurance functions Assessment by Health Canada Managers’ opinions

Performance Accomplishments: Meeting Our Objectives

The CFIA, created in April 1997, following proclamation of the *CFIA Act*, was the first in a series of alternative service delivery organizations announced in the 1996 federal budget. The goal set for these organizations was to improve the effectiveness and efficiency of the delivery of services provided to Canadians. To accomplish this, the CFIA was granted new legal authorities and flexibilities not normally associated with traditional departmental structure. To balance the new authorities and flexibilities with appropriate Ministerial and Parliamentary control, Section 22 of the *CFIA Act* requires the Agency to prepare a Corporate Business Plan setting out objectives, strategies and expected performance; and Section 23 of the *Act* requires the Agency to prepare an Departmental Performance Report for Parliament. In addition to financial and other information, the Departmental Performance Report must contain information about the Agency's performance with respect to objectives. The Performance Information sections of this Departmental Performance Report which follows, fulfil this requirement. In addition, the *Act* requires that the Auditor General of Canada assess the fairness and reliability of the performance information being tabled in the CFIA Departmental Performance Report. This unique feature is designed to further enhance accountability to Parliament.

To achieve the planning and reporting requirements set out in the *Act*, the CFIA is developing a performance management framework which contains the structure, nature and scope of planning and performance reporting for the Agency. The framework will also serve to meet the requirements of the new expenditure management and reporting requirements for all departments and agencies, as set out by the Treasury Board Secretariat.

The Agency delivers 19 programs and services formerly delivered by four federal departments. Each department had a unique approach to planning and reporting program performance. To bring a degree of consistency and uniformity to planning and reporting, CFIA management is undertaking a complete redevelopment of the systems, including new planning and resource allocation systems and program management information systems over a three-year time frame. Further, with respect to program management information systems, most existing systems were not Year 2000 compliant and, as a result, now are being replaced which will result in a reduction from 91 to 15 systems.

The first major step was the preparation of the CFIA Corporate Business Plan, which was tabled in Parliament in May 1998. This Plan provides an overview of the performance management framework for the CFIA, including objectives, strategies and expected results.

To meet the requirements for reporting to Parliament prescribed in the *CFIA Act*, this report assesses performance against the objectives recently set out in the Corporate Business Plan. Because the performance management framework, including measurement and reporting systems, is not yet fully implemented, only limited information to assess performance against the Corporate Business Plan objectives is available for reporting this year. This has limited the Agency's ability to report on the performance of a number of program areas and has restricted the extent of

reporting in other areas. Full implementation of the performance management framework will significantly increase the availability of performance information in the future. An update on the progress being made on the development and implementation of the performance management framework follows the program performance section of this report.

Inspection Programs for Food and Food Products

The focus of the CFIA food inspection program is to verify that manufacturers, importers and distributors, regulated by the CFIA, meet federal standards for safety, quality, quantity, composition, handling, identity, processing, packaging and labelling.

Objective for Food and Food Products:

To contribute to a safe food supply and accurate product information.

In the case of exported food, manufacturers may be required to meet the additional requirements of the importing country. In these cases, the CFIA program verifies that these additional requirements are also met.

The objective of this activity is to contribute to a safe food supply and accurate product information. This regulatory function is carried out through the registration and inspection of establishments for interprovincial and international trade, and the inspection and grade-monitoring of products in registered and non-registered processing establishments, at importers' premises and in retail establishments. Working with Health Canada, other governments and regulated industries, CFIA manages food recalls and other related enforcement actions.

Initiatives Undertaken During 1997-98

In addition to registration and inspection programs for food and food products, a number of important initiatives were undertaken or continued during the 1997-98 fiscal year:

Consumer Food Safety Education

A safe food supply must be accompanied by public knowledge on safe handling practices in both the home and industry. In 1997, the CFIA joined forces with Health Canada and more than 20 industry, consumer and government organizations to form the Canadian Partnership for Consumer Food Safety Education. The Partnership, whose membership has now grown to more than 40 organizations, is committed to reducing food-borne illness in Canada by increasing awareness of safe handling practices through the coordination and delivery of food safety education programs aimed at the consumer.

The CFIA has joined with more than 40 partners in a non-profit organization, the Canadian Partnership for Food Safety Education, that is committed to reducing food-borne illness in Canada.

Modernizing Poultry Inspection

Traditional poultry inspection in Canada – based on hands-on, carcass-by-carcass examination – is being reviewed due to the development of new processes and technologies. Poultry eviscerating lines, processing 3,000-4,000 carcasses per hour in the 1960s, now are operating at double that capacity or more. The increase in industry capacity and a new guideline for *E. coli* and a standard for *Salmonella*, introduced by the United States and adopted in Canada by companies exporting to the US, are the catalysts for change in poultry inspection practices.

The introduction of Hazard Analysis Critical Control Point (HACCP) practices by the Canadian industry has allowed the CFIA to deliver inspection services differently. The modernized poultry inspection system uses analytical and statistical monitoring of processes and process controls to enhance the safety of Canadian poultry products. Unlike the traditional inspection of carcasses for defects, the new system requires government inspectors to verify the ability of a poultry operator's process controls to prevent defects and disease-causing bacteria. A pilot plant to test the modernized approach to inspection has been operating successfully in Brampton, Ontario, since September 1997. Three other pilot projects are planned for plants in St. Marys, Ontario, New Minas, Nova Scotia, and Edmonton, Alberta, in 1998.

Labelling of Foods Causing Allergies and Sensitivities

Staff is on call 24 hours a day, 7 days a week, tending the CFIA's Emergency Response System which protects Canadians in the event of a health hazard.

The CFIA receives numerous reports of incidents involving allergic and sensitivity reactions from domestic and imported foods. Most adverse food reactions are caused by peanuts, tree nuts, sesame seeds, milk, eggs, fish, crustaceans, soy, wheat and sulphates. If

these foods or their derivatives are not labelled or are incorrectly labelled, or if inadvertent carry-over occurs during manufacture, the results can be serious and sometimes fatal.

On March 30, 1998, the CFIA issued an information letter to food manufacturers, importers and distributors and their associations on the importance of more complete labelling of foods commonly associated with serious allergic reactions. The Agency set forth steps industry can take to prevent the inadvertent inclusion of such foods in others. The Agency also urged industry to assist consumers in making safe food choices by identifying the plant source of ingredients and to manage the risks associated with foods known to cause severe adverse reactions.

Fresh Fruits and Vegetables

Under the authority of the *Licensing and Arbitration Regulations* pursuant to the *Canada Agricultural Products Act*, the CFIA

CFIA contributes to consumer protection by establishing and enforcing strict labelling standards.

is responsible for regulating fair and equitable trade practices in the Canadian fresh fruit and vegetable sector. During 1997-98, CFIA officials worked with the fresh produce sector to develop principles for an industry-operated, trinational program between NAFTA trading partners to resolve commercial disputes.

In March 1998, the *Licensing and Arbitration Regulations* were amended to exempt from licensing requirements shippers of their own produce, shippers that purchase produce from within their own province (e.g., grower co-operatives) and small brokers or retailers (i.e., annual transactions of less than \$230,000). This will result in a decrease in the number of licences issued from 1,400 to 900 for the 1998-99 fiscal year.

In partnership with the Canadian Horticultural Council (CHC), the CFIA is currently developing a quality assurance inspection program. Under the program, industry would assume responsibility for documenting and implementing an inspection system which verifies that CFIA quality and phytosanitary requirements are met. It is expected that this new, alternative inspection and certification service will be tested in the potato and apple industries in 1998-99.

Processed Fruits and Vegetables

The processed fruit and vegetable industry is a significant component of the Canadian food and beverage processing industry. During 1997-98, the CFIA worked with Health Canada, industry and consumers' associations to develop a Code of Practice for unpasteurized fruit juice and cider. The Code's objective is to address the *E. Coli O157:H7* contamination hazard. The same year, the Imported Brined Mushroom Inspection Protocol was updated to improve screening procedures by Canadian processors on bulk imports of that product for repacking. Recognition work for HACCP plans was initiated in two registered frozen fruit and two registered juice establishments in 1997-98. All four establishments received at least preliminary reviews of their prerequisite programs and HACCP plans. One honey establishment reached the final stages of recognition at the end of the year.

Dairy

The federal-provincial and industry Dairy Steering Committee revised the Dairy Plant Registration and Inspection System (DPRIS) manual in July 1997, to include prerequisite programs. This measure enables industry to exert stronger control over these programs and assist it in making the transition to an HACCP system. Three federally-registered dairy establishments were recognized by CFIA met as having its criteria for HACCP systems. They are now eligible for a regulatory system audit approach instead of traditional inspection.

Maple Syrup

Canada is the largest producer of maple syrup in the world, exporting \$102.4 million in maple products. Registered maple syrup exporters now can grade and classify their own product for

compliance with federal grade standards without export certification through two programs implemented by the CFIA – the International Standards Organization Accreditation and the Quality Management System.

Performance Accomplishments for Food and Food Products

For the objective “to contribute to a safe food supply and accurate product information”, the performance information is presented on a program-by-program basis (e.g., meat inspection, fish inspection). The Agency spends approximately two-thirds of its budget on food and food products activities.

The primary responsibility for meeting federal standards and requirements rests with producers, processors and suppliers. Through its inspection activities, the CFIA works with these groups to meet this responsibility. The measures used to report on performance are the level of compliance by the regulated sectors and/or the rejection rate by CFIA inspectors. Compliance/rejection rates measure the regulated sector’s performance and also represent the CFIA’s contribution to a safe food supply.

Performance information is provided for meat, fish and fish products, eggs and fresh fruit and vegetables. Information is also provided for the food recall area. Performance information for dairy, retail and manufactured food, processed products, honey and maple products is not available at this time and is, therefore; not reported.

Meat Inspection and Certification

(Information on meat inspection is recorded by calendar rather than fiscal year.)

There are approximately 800 federally-registered meat processing, slaughter and storage establishments in Canada. Some 575 million animals, including poultry were slaughtered for food consumption during 1997. All animals/carcasses were inspected by CFIA inspectors and/or veterinarians, resulting in a 0.4% rejection rate by weight for red meat and about 3% for poultry. The major cause of rejection was condemnation for poor animal health. Rejected animals/carcasses condemned by CFIA inspectors cannot be used as human food.

All commercial imports of meat and meat products are inspected by competent authorities in the country of origin and subject to reinspection upon entry to Canada. Approximately 419,000 tonnes of meat was imported to Canada in 1997, an increase of 12% over 1996 (see Table 6). Imported meat is subject to CFIA inspection (full or partial), and in 1997, 1.7% by weight (7,000 tonnes) was rejected, compared to 1.4% in 1996. The most common reason for rejection in both 1996 and 1997 was violation of Canadian labelling regulations. Any rejected shipment is either destroyed or removed from Canada.

Table 8 MEAT IMPORTS				
	1997		1996	
Volume (000 kg)	418,873		372,857	
Rejection rate by weight	6,978 (1.7%)		5,375 (1.4%)	
Reasons for rejection by weight	Labelling	6,018	Labelling	4,522
	Safety & Wholesomeness	525	Safety & Wholesomeness	418
	Transportation / Packaging Damage	325	Transportation / Packaging Damage	237
	Other	110	Other	198

In addition to inspection of meat imports, the CFIA conducts on-site inspection of foreign establishments that supply meat and meat products to the Canadian market. During 1997, establishments in four countries were inspected.

During 1997, the CFIA inspected about 984,000 tonnes of Canadian-produced meat exported to more than 100 countries, a growth of 16% over the previous year (see Table 7). Through multilateral and bilateral agreements, this meat is inspected to ensure that it meets Canadian safety and quality standards and, in some cases, additional requirements imposed by importing countries. In 1997, 0.11% by weight was returned to Canada either by the importer or by the competent authorities of the importing country, compared to 0.14% in 1996. The reasons for rejection can be found in Table 7.

Table 9 MEAT EXPORTS				
(000 kg)	1997		1996	
Volume (000 kg)	984,062		849,298	
Rejection rate by weight	1,106 (0.11%)		1,195 (0.14%)	
Reasons for rejection by weight	Safety & Wholesomeness	724	Safety & Wholesomeness	815
	Transportation / Packaging Damage	313	Transportation / Packaging Damage	207
	Labelling	64	Labelling	110
	Other	5	Other	63

Fish and Fish Products Inspection and Certification

There are 1,600 processing operations with approved Quality Management Programs (QMP), representing 1,000 registered fish-processing plants in Canada. During the 1997-98 fiscal year, the CFIA conducted about 2,300 audits to ensure that the QMP met all federal regulations. Ninety-two per

Canada's Quality Management Program (QMP) for fish is an in-plant quality system which gives fish processing companies increased responsibility for ensuring that fish and fish products meet all Canadian regulatory requirements. The CFIA audits the application of the QMP in each processing plant. The QMP for fish has been in operation since 1992, and is the first mandatory food inspection program in the world to be based on Hazard Analysis Critical Control Points (HACCP).

cent of operations were found to be in compliance with safety and quality standards. Of the 8% that failed, approximately 40% subsequently complied with the standards and, following re-audit by the CFIA, were allowed to continue production. These QMP audits involved inspection of 300,000 tonnes of fish and fish products, of which 99% were in compliance with all federal safety, quality and related standards. The majority of rejections related to weight and labelling problems.

Inspection of imported fish and fish products is carried out using a random and risk-based sampling approach based on the plant's, or exporting country's history of compliance and the nature of the process and product. In the 1997-98 fiscal year, 283,000 tonnes of fish and fish

We recognize that the best way of safeguarding Canadians is by working with industry to prevent food safety hazards from occurring. The CFIA's Quality Management Program for fish inspection exemplifies our commitment to safe food production.

products were imported to Canada, of which 18,000 tonnes were inspected. Due to the risk-based sampling approach which targets essentially non-compliant products, 33% of the inspected product was rejected. The major cause of rejection was labelling. Any products rejected for health and safety reasons were destroyed or removed from Canada.

In addition to direct inspection activities, during 1997-98, six importers responsible for about 17% of fish and 50% of canned, imported products were approved by the CFIA to monitor their own products' compliance with Canadian food inspection standards under the supervision of the CFIA's QMP for Importers.

To measure the programs' effectiveness, Health Canada conducted food safety audits of the CFIA's Fish Import Inspection Program (FIIP) and of its Canadian Shellfish Sanitation Program (CSSP). The audit of the FIIP found it "to be comprehensive and well structured. Implementation of this program is effective at minimizing the health and safety risks associated with fish products". The audit of the CSSP concluded the program "helps ensure that harmful toxin levels in shellfish are detected prior to harvesting for inshore fisheries and through proactive monitoring at sampling stations located at numerous locations along the Canadian coastline". Recommendations for improvements identified in the audits have been or are being addressed by the Agency. Both reports and action plans are available from Health Canada and the CFIA.

The CFIA received approximately 200 trade and consumer complaints about fish or fish products in 1997-98. One-third of these required a variety of remedial action such as voluntary removal of product, mandatory inspection of future shipments of similar products and advising the importer or processor of the problem.

Shell and Processed Egg Products Inspection

The CFIA has two distinct inspection programs for shell egg and processed egg products. There were 383 shell egg-grading establishments and 17 processed-egg establishments registered with the CFIA under the authority of the *Canada Agricultural Products Act* for the fiscal year 1997-98. All establishments must be registered in order to apply the federal grade names (e.g., large, medium, small) or the inspection stamp. The registration process involves meeting the requirements for facilities and processes, health and safety, quality and packaging and labelling. The frequency of inspection is determined by the weekly volume of shell eggs graded or volume of processed egg product produced by the plant, in conjunction with the plant rating. Samples taken to evaluate imported and domestic/export products are prescribed by a statistical sampling plan using a risk-based approach. This includes analyzing samples for residues, antibiotics, bacteria and marketplace fairness.

During the 1997-98 fiscal year, there were 372 export certificates signed for processed egg products. Shell eggs are rarely exported from Canada. The certification process involves certifying the product to either meet the importing country's requirements or meet Canadian regulations.

- 400 million dozen eggs were graded in establishments registered by the CFIA to grade eggs. Of those sampled, 97% were in compliance with safety, quality and marketplace fairness requirements.

- 42.6 million kilograms of processed egg products were produced in CFIA-registered processed egg establishments. Of those sampled, 90% were found to meet applicable federal standards by CFIA inspectors. The remainder did not meet prescribed quality standards.

Shell and processed eggs can only be imported from countries with requirements, standards and a system of inspection that is substantially equivalent to that of Canada. Imported shell eggs and processed egg products are subject to CFIA inspection (full or partial) based on random sampling plans.

- 7.6 million dozen shell eggs were imported to Canada. The results of the sampling indicate a compliance rate of 98%. These eggs can either be graded shell eggs for retail or breaking stock for processing.

- 7.7 million kilograms of imported, processed egg products were certified as meeting CFIA requirements.

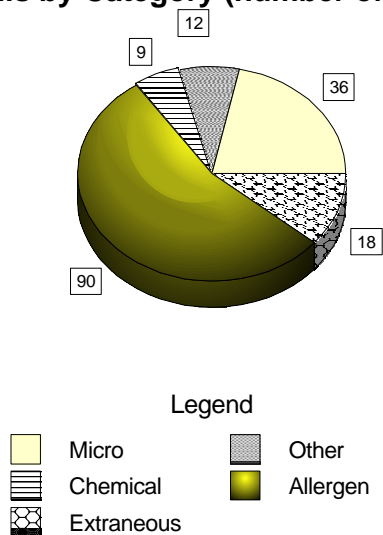
Fresh Fruit and Vegetable Inspection

During 1997-98, more than 10,000 loads of fresh produce were sampled and tested for chemical residues. Results revealed a compliance rate of 98% for imported and 99% for domestic produce. This testing information is used to set inspection plans and sampling rates.

In 1997-98, CFIA inspectors certified for quality approximately 16,000 loads of fresh fruit and vegetables for the interprovincial and export market, with a corresponding compliance rate of 99%. Export requirements for fresh fruit and vegetables have been deregulated. However, the U.S. government still requires compulsory inspection of onions, field tomatoes and potatoes to ensure they meet U.S. import requirements.

Canadian regulations require compulsory inspection of apples, potatoes, onions and blueberries imported to Canada. These inspections are performed by CFIA staff or by accredited foreign-country inspection staff. The majority of imports are certified by inspectors from the U.S. Department of Agriculture. All regulated produce which arrives at a Canadian port without the required certification is inspected by CFIA staff. Approximately 450 loads of fresh fruit and vegetables were certified by the CFIA as meeting Canadian import requirements. This represents a compliance rate of 99%.

Recalls by Category (number of recalls)



Food Safety Emergency Response and the Food Recall Process

The CFIA, Health Canada, industry and other levels of government respond to situations which pose a potential risk to consumers. To handle these incidents effectively and efficiently, it requires the coordination of a timely and/or extraordinary response, which may result in a product recall.

During 1997-98, the Agency managed 165 food recalls. Food recalls generally fall into five broad categories: 1) the presence, in a food or beverage, of an undeclared ingredient known to cause severe allergic

reactions in some individuals; 2) microbiological contamination; 3) the presence of extraneous matter; 4) contamination (other than microbiological and chemical); and 5) chemical contamination. Figure 3 shows the distribution, by category, of recalls managed by the CFIA in 1997-98.

During the year, Health Canada began an assessment of the effectiveness of the CFIA emergency response system. The results of this assessment should be available for inclusion in the 1998-99 Departmental Performance Report.

Examples of two food safety emergency responses:

Recall of Large Volume of Canned Fish Product

In August 1997, a producer of a canned fish product notified the Agency that it had detected a serious can defect during routine monitoring. This container integrity defect, which was the result of faulty can-manufacturing equipment, compromised the hermetic seal. The producer issued a voluntary recall of more than 1.8 million cans distributed in Canada and the U.S. The producer put forward a corrective action plan which included increased inspection of incoming cans and enhanced monitoring of the final product. The CFIA approved the plan and monitored the situation closely to ensure that the container integrity problem was resolved.

Hepatitis A Outbreak in Michigan Linked to Strawberries

In April 1997, strawberries, imported, processed (sliced and frozen) and packaged into bulk and institutional-size containers in California were implicated in an outbreak of hepatitis A in Michigan. Some of the product had entered Canada. The North American emergency food response exercise that ensued was a successful test of the CFIA's Emergency Food Response System.

The CFIA worked in cooperation with Health Canada, the U.S. Food and Drug Administration and the California State Health and Welfare authorities to investigate the disposition of the product known to have been shipped to Canada. It was determined that most of the affected berries had been used in baked products, and thus was not considered a health hazard because the heat process effectively destroys the virus causing hepatitis A. A small quantity of the product, not heat treated, was used as a topping for toast or desserts in four separate situations. Provincial and territorial authorities and Public Health Units were advised of these circumstances and precautionary intervention measures (in the form of immune globulin inoculations given to people suspected of having ingested the raw product) were taken.

Health Canada has reported that they are not aware of any cases of hepatitis A in Canada linked to the frozen strawberries and that there had not been an increase in the number of hepatitis A cases reported in Canada.

Further information on food recalls can be found on the CFIA Website at:

<http://www.cfia-acia.agr.ca>

Inspection Programs for Animal and Plant Health

The animal and plant health programs contribute to the protection of Canada's animal and plant resource base against the introduction and spread of regulated pests and diseases of significance to the economy, the environment or human health, and through the licensing of veterinary biologics.

The humane transportation of animals is also regulated by the CFIA Animal Health Program.

Objective for Animal and Plant Health

To contribute to the continuing health of animals and plants for protection of the resource base.

Import activities are aimed at preventing exotic diseases and pests from becoming established in Canada. This is done through the inspection, testing and certification of horticultural, livestock, forestry, biological and other food commodities before their release into Canada. These activities are conducted at border points, seaports, airports and quarantine facilities and in the country of origin. The programs also maintain international disease intelligence activities, negotiate import health requirements with exporting countries, and conduct regional and national emergency simulation exercises.

The plant health program conducts environmental assessments for release of plants, feed and microbial products with novel traits, such as those developed through biotechnology. It also verifies that livestock feeds and commercial fertilizers and supplements used in Canada are safe and effective and are packaged and labeled according to established standards. The program includes seed certification and the registration of varieties of field crops and also provides a form of patent by granting Plant Breeders' Rights for varieties of agricultural and horticultural crops.

Initiatives Undertaken During 1997-98

In addition to ongoing animal and plant health program activity, a number of important initiatives were undertaken or continued during the 1997-98 fiscal year:

Our staff worked around the clock with farmers, producers, and other industry operations to minimize the devastation brought about by the January 1998, ice storm in parts of Ontario and Quebec.

Plant Health Early Warning System

A pilot Plant Health Early Warning System (PHEWS) was initiated in 1997-98. Based on phytosanitary databases, scientific literature and knowledge of pests of quarantine significance which have been intercepted around the globe, PHEWS provides an early warning of pests and diseases that could be of economic concern if introduced and established in Canada.

Accreditation of Non-CFIA Laboratories

The Agency published the second version of its External Accreditation Program Framework, which facilitates the accreditation of non-CFIA laboratories to perform routine diagnostic tests concerning animal and plant health. Increasing the number of recognized laboratories has assisted Canadian producers to test their products and has reduced the cost to Canadian taxpayers.

During the course of the year, two accreditation programs were initiated for the following diagnostic services:

- testing of seed potatoes for the detection of Bacterial Ring Rot and various potato viruses in support of disease-control and export programs (eight laboratories accredited); and
- testing of pork for the presence of *Trichinella* prior to export to Russia (three laboratories accredited).

Existing accreditation programs continued to be expanded, including:

- testing of horses for Equine Infectious Anaemia (18 accredited laboratories);
- testing of cattle for Enzootic Bovine Leukosis for the Canada Health Accredited Herd Program (16 accredited laboratories); and
- Brucellosis testing of cattle for export to the U.S. and Mexico (eight accredited laboratories).

Canadian Seed Institute

The Canadian Seed Institute (CSI) was incorporated in 1997. It was created to assume responsibility for the delivery of seed quality assurance programs with the support of the Canadian Seed Trade Association, the Canadian Seed Growers' Association, the Commercial Seed Analysts Association of Canada and the CFIA. A not-for-profit organization, the CSI will be officially accredited by the CFIA in 1998 to provide certain seed program services – initial assessment, recommendation for acceptance and subsequent audit of seed-testing laboratories, approved conditioners, bulk storage facilities, authorized importers, operators and graders. Seed establishments can still request registration directly from the CFIA in 1998, but the CSI anticipates the transfer of 1,300 federally-registered seed establishments to the CSI by the end of 1998 and the transfer of the remaining 500 seed establishments in 1999. The CFIA will continue to be the accreditor for the program. The provision of these services by the CSI recognizes quality management practices within the seed industry and will result in a reduction of government costs.

Performance Accomplishments for Animal and Plant Health

For the objective “to contribute to the continuing health of animals and plants for protection of the resource base”, performance information is being reported for the plant health, animal health, seed potatoes and feed sectors. Performance information for seeds and fertilizers is not currently available and will be included in subsequent Departmental Performance Reports. The agency spends approximately one-third of its budget in the animal and plant health area.

Animal Health

There were about 55 million live animals and embryos exported from Canada during 1997-98. The CFIA provides certification services on request. Animals and animal products for export were valued at \$1.9 billion.

Our inspectors educate the public about the humane transportation of animals and protect animals by making sure they are handled and transported in a safe and humane manner.

For the 1997-98 fiscal year, approximately 63 million live animals and 650,000 embryos and semen doses were imported to Canada. The CFIA rejected less than 1% which failed to meet Canadian standards. These were either quarantined, returned to the country of origin or destroyed.

Canada is a member of the Office International des Épizooties (OIE). The OIE’s mission is to inform and advise the veterinary services of its member countries, in order to contribute to the eradication of the most dangerous diseases for animals, including those diseases that can be transmitted to humans, and to determine the health standards for international trade. This organization is the world reference for standards concerning animal diseases on which disease control policies or eradication programs are based.

Every country must report disease occurrences to the OIE, based on the International Animal Health Code. The CFIA provides information on the following disease types as defined by the OIE:

- List A - are transmissible diseases which have the potential for very serious and rapid spread, irrespective of national borders, which are of serious socio-economic or public health consequence and which are of major importance in the international trade of animals and animal products. Examples of List A diseases include foot and mouth disease and bluetongue. Generally, diagnoses of these diseases must be reported immediately. The OIE is also provided with monthly status reports regarding List A diseases.
- List B - are transmissible diseases which are considered to be of socio-economic and/or public health importance within countries and which are significant in the international trade of animals and animal products. Examples of List B diseases

include rabies and bovine tuberculosis. Reporting of these diseases is generally on an annual basis unless circumstances warrant more immediate reporting to other member countries.

- Other - diseases considered to be of socio-economic importance or of major veterinary interest.

During 1997, the CFIA reported that all domestic animals in Canada remained free from all List A diseases. Although Newcastle disease virus circulated in cormorants in the summer of 1997, no outbreaks of Newcastle disease were detected in domestic poultry. Previously, the last reported occurrence of a List A disease in Canada was for bluetongue in 1988. There are twenty-two List B diseases prescribed as reportable in Canada. Eleven were the focus of disease control and/or monitoring activities in 1997. The remainder have either never been reported in Canada, or have been eradicated. Information was also reported on other diseases deemed of interest to the OIE. An example of this is the 1997 report of Infections Salmon Anemia.

This notification system allows the OIE member countries to analyze the information provided by the reporting countries and to determine the appropriate response to reduce the probability of disease entry through importation of animals or animal products.

Annual reports are also submitted to the OIE. Summaries of Canada's annual reports are available on the CFIA website at: <http://www.cfia-acia.agr.ca> Further information on other member countries' reports can be found in the annual OIE publication.

Agricultural Inputs

During 1997-98, 1,238 applications for feed registration were received. Twenty per cent of these failed to meet basic screening criteria and were rejected. In total, 937 products

The CFIA helps maintain a healthy food industry by registering crop varieties to encourage the development of hardy, disease-resistant varieties of seed.

(91%) were registered. The average time taken to complete a review for registration was 39 days. Exports of Canadian feeds, seeds and fertilizers total more than \$4 billion annually.

Plant Health

The goals of CFIA's plant health activities are to prevent the introduction and spread within Canada of pests of quarantine significance to agricultural and forestry crops, to detect and control or eradicate regulated plant pests in Canada and to certify plant and plant products for domestic and export trade. A national plant pest and disease surveillance program determines the extent and scope of potential risks to agricultural and forestry crops. The Plant Pest Surveillance Unit is responsible for planning, coordinating and administering the national survey program and is

directly involved in determining which surveys are necessary and the relative priorities of those surveys.

Plant pest and disease surveys contribute to the program in several ways:

- ▶ Survey information rationalizes and validates our import requirements and forms the basis for credible export certification. It supports claims of "pest-free" status (as defined by the International Plant Protection Convention) and the establishment of quarantine zones used to prevent pest spread within Canada;
- ▶ Surveys are used to detect new and incipient pest populations and thereby allow for quicker response to foreign pest incursions;
- ▶ Surveys are used in the establishment and modification of quarantine zones and pest-free areas by identifying the geographic limits of pest populations;
- ▶ Surveys form the basis of the knowledge for planning control and eradication programs; and
- ▶ Surveys measure the success of control and eradication programs.

Survey data were analyzed for 11 types of pests and diseases in 1997-98. Some examples of the most important surveys in terms of detection, leading to preventative or control measures are:

- A survey of *Ips typographus* – a serious pest of coniferous forests – at Canadian ports of entry found positive samples at Montreal. As a result, eradication and corrective actions were taken, which were confirmed in 1998 by additional survey to have eliminated the pest.
- No infestations of oriental fruit moth were detected in B.C., with the result that the province can continue to justify import restrictions and certify for export on the basis of pest freedom.
- Information from surveys of the Japanese Beetle in Ontario, Quebec, Atlantic Canada and B.C. was used to rationalize regulated areas in Ontario and Quebec and support claims of pest freedom in other provinces.
- Surveys in B.C. of both commercial greenhouses and hobby producers supported claims of freedom from Chrysanthemum White Rust.
- A detection survey was conducted in B.C. to maintain Apple Maggot pest-free status. B.C. is the only apple-exporting area in North America free of this pest.

A complete documentation on the survey and control activities relating to plant health is available in the CFIA annual publication "Summary of Plant Quarantine Pest and Disease Situations in Canada".

In 1997-98, the CFIA issued 66,000 plant health (phytosanitary) certificates attesting to the pest and disease status of plant and forestry products shipped interprovincially and internationally. With respect to the Agency's performance, there were only a few reported cases in 1997-98 where shipments were rejected by the importing jurisdiction. The annual value of Canadian trade in plant and forestry products is about \$32.2 billion.

The CFIA inspected 33,500 hectares on 900 farms across Canada, resulting in seed potato certification for quality and pest and disease status. More than 3,000 hectares of seed potatoes were rejected by the CFIA because of disease levels in excess of permitted tolerances.

Other Services

International travel provides a major pathway for the entry of pests and diseases of quarantine significance. This is monitored in collaboration with Revenue Canada Customs. In addition, three major Canadian international airports are also monitored by using CFIA detector dogs. Flights are selected based on a risk-assessment model, using historical information and information on pest and disease outbreaks in foreign countries. During 1997-98, approximately 33,000 seizures (3,000 by detector dogs) were made of prohibited materials carried by passengers. More than 90% of seizures involved undeclared goods.

Specially-trained dogs are used to sniff out concealed restricted products in an on-going effort to keep Canada free of foreign diseases which threaten our country's vast natural resources.

The *Plant Breeders' Rights Act* requires that the Minister report annually on the administration of the *Act*. Under the *Act*, the CFIA grants control of the multiplication and sale of reproductive material to breeders of a new variety. In 1997, 216 applications for protection were received, 132 grants of rights were issued and 202 rights were renewed. The revenues for 1997 totalled \$318,000.

Market Access

In addition to the export inspection activities listed above, the CFIA has an important mandate to negotiate technical requirements for the international movement of products and the harmonization of national standards.

Objective for Market Access

To facilitate trade in food, animals, plants and their products.

The Agency leads and/or provides technical assistance, as appropriate, for trade negotiations and committees and provides support for dispute settlement panels. The CFIA facilitates international

and interprovincial trade through government-to-government consultations and negotiations. Increasingly, these negotiations are shifting from bilateral to multilateral fora. Agency trade specialists work with their partners in Agriculture and Agri-Food Canada, Fisheries and Oceans Canada, Health Canada and the Department of Foreign Affairs and International Trade to advance issues of common interest.

Initiatives Undertaken During 1997-98

A number of important initiatives to facilitate market access were undertaken or continued during the 1997-98 fiscal year:

Border Management Processes

The CFIA has begun to re-engineer its border management processes in response to changing trade patterns, free-trade agreements and new and emerging border issues. The re-engineering initiatives are focusing on the development and implementation of pre-clearance processes, electronic commerce, information transfer, hours of service and the creation of service centres, joint sharing of accommodation and facilities, border blitzes and risk-based targetting. These initiatives are providing the CFIA and Revenue Canada Customs (RCC) with a number of collaborative and partnership opportunities.

CFIA and RCC collaborate to:

- ▶ expedite the cross-border flow of low-risk shipments and travellers; and
- ▶ control high-risk movements facilitated by new operational environments.

The CFIA and RCC are working with various clients to develop a border that will balance the goals of enforcement and compliance with those of facilitation and competitiveness. Import processes will become seamless, allowing goods to be cleared in hours rather than days. Improvements in communications, access to information and the transparency of CFIA regulations, procedures and administrative processes will ensure that importers have all the pertinent information needed to make good business decisions and to expedite the movement of goods with certainty and fairness. Electronic data interchange, computerization of procedures, integrated clearance and inspection processes will generate faster, less costly import transactions at the border.

Import service centres have been established by the Agency in Quebec (Montreal), Ontario (Toronto) and British Columbia (Vancouver) to provide service 20 of 24 hours a day, seven days a week. The service centres process all import inquiries and import shipments of

Our new Import Service Centres help us monitor imports more effectively by processing documentation electronically allowing for better use of inspection services.

regulated agricultural and food products that are required to be reported to the CFIA for inspection purposes.

An Automated Import System (AIS) is being developed for the management of all imported products regulated by the CFIA. The AIS is a computerized, decision-support and information management system designed to meet the information needs of CFIA inspection staff, RCC inspectors, brokers and importers in complying with CFIA import requirements. The system consists of four major components – the reference system, an electronic interface with RCC, a tracking system and statistical reporting. The first two components are currently being pilot-tested. The tracking and statistical reporting components are in the developmental phase.

North West Cattle Project

The North West Cattle Project was developed to encourage reciprocal trade in live feeder cattle between Canada and the U.S. The project continues to protect Canada's disease-free status while it lowers barriers to livestock trade by streamlining import requirements and minimizing inspection requirements on both sides of the border. In October 1997, regulations were put in place to allow the import of untested feeder cattle from certain parts of the U.S. to approved Canadian feedlots. The regulations and associated import conditions focus on restricting the movement and end use of the imported cattle. However, they imposed a number of conditions that producers found cumbersome and impractical, and few cattle have been imported to Canada under these conditions. In consultation with all affected industry sectors, the Agency has amended the regulations to further reduce restrictions on imported cattle without compromising the health of the national herd.

Canadian Animal Health Network

Recent trade developments under World Trade Organization (WTO) rules require countries to have more comprehensive knowledge of their animal health status. This has led to the development of the Canadian Animal Health Network (CAHNet), linking animal surveillance partners in Canada, thus contributing to Canada's ability to detect and control disease. CAHNet clarifies the national animal health picture and facilitates the development of appropriate response strategies as information emerges on animal disease. The intelligence gathered through the Network will also influence future priorities for disease control and research.

Federal-Provincial Inspection Agreements

The Agency has worked with its provincial and territorial partners in the development of federal/provincial agreements. An agreement-in-Principle with Alberta an Umbrella Agreement with Ontario and a comprehensive Memorandum of Understanding with Quebec have been signed which will allow for the advancement of a more integrated approach to food inspection. Significant progress has also been made with other provinces and territories in the development of similar agreements.

Foreign Animal Disease Program

The CFIA provided assistance by sending Canadian field veterinarians to participate in a Foreign Animal Disease Eradication Program in February 1997, when an outbreak of Classical Swine Fever in the Netherlands quickly reached crisis level. As well as providing the CFIA veterinarians with hands-on experience in the eradication of a foreign animal disease, the exchange fostered goodwill between Dutch and Canadian authorities. The exercise was a model of cooperation in the international community, and could provide the impetus for the development of a mutual assistance agreement to the benefit of both countries.

Performance Accomplishments on Market Access

For the objective “to facilitate trade in food, animals, plants and their products”, performance information is reported on market access. Other inspection and quarantine performance information relating to interprovincial and international trade of food, animals, plants and their products have been dealt with under the previous two objectives.

Multilateral Negotiations

The CFIA, with other Canadian partners, participates in the WTO’s Sanitary and Phytosanitary (SPS) Committee. The WTO Agreement on the Application of SPS Measures establishes a multilateral framework of rules and disciplines to guide the development, adoption and enforcement of sanitary and phytosanitary measures that allow countries to adequately protect domestic health and safety while minimizing negative and/or unjustified effects on international trade. The Committee oversees the implementation of the Agreement, facilitates consultations and negotiations among members, monitors the process of harmonization, equivalence and consistency of SPS measures, and provides a notification system to ensure transparency in the adoption of SPS measures.

In 1997-98, the CFIA led Canadian delegations to three meetings of the Committee on SPS Measures at the WTO and one meeting of the NAFTA SPS Committee to promote Canadian positions in discussions related to the rights and obligations of Member countries under those agreements, and in technical market access issues affecting Canadian exports. The CFIA also led

Our quarantine program helps open the door to new markets by keeping Canada’s agri-food commodities disease-free and pest-free.

Canadian delegations to two meetings of the SPS Working Group under the Free Trade Area of the Americas (FTAA) to promote Canadian views on the negotiating structure for SPS issues in the upcoming FTAA negotiations. The CFIA also participated in delegations to the WTO dispute settlement panel hearings on Canadian challenges.

Benefits from Canada's participation during 1997-98 were:

- Canadian interpretations of the rights and obligations under the WTO SPS Agreement have been upheld in the WTO's dispute resolution panel reports on Canada's challenges to the European Union ban on meat treated with hormones and the Australian ban on Canadian salmon.
- Canadian SPS objectives and negotiating principles have been incorporated into the Work Program for the FTAA that was approved by Ministers in San José, Costa Rica, in March 1998.

In addition to WTO representation, the CFIA was the Canadian lead on the NAFTA SPS Committee. The Committee established five Technical Working Groups in the areas of: animal health; plant health; meat, poultry and egg products; dairy, fruit, vegetables and processed foods; and food additives and contaminants. These groups will facilitate market access among the three NAFTA countries by working on harmonization of standards, recognition of equivalency, regionalization and by resolving technical trade irritants.

Technical Market Access Negotiations

The CFIA continues to work with Agriculture and Agri-Food Canada and the Department of Foreign Affairs and International Trade to develop a more strategic approach to technical market access issues, building on the rights and

Our trained staff carefully inspect and certify imports at air, sea and land ports of entry to ensure that they meet Canada's high standards for health, safety and quality.

obligations established under trade agreements. This initiative focuses its efforts on priority products and countries, using technical and trade policy positions to resolve outstanding issues, and contributes to furthering the achievement of the CFIA's market access objectives. Currently, the CFIA manages approximately 1,500 international agreements and protocols dealing with market access and export certification arrangements.

CFIA accomplishments in the area of technical market access negotiations include:

- Mutual Recognition Agreements (MRAs) are used to recognize the equivalency of inspection and control systems for imported and exported fish products in Canada. A new MRA negotiated by CFIA officials was signed with Thailand, recognizing the equivalency of each country's fish inspection and control systems. In previous years, MRAs were negotiated with Australia (1993), New Zealand (1996) and the U.S. (shell fish, 1948).
- The Greenhouse Certification Program allows greenhouse plants that do not pose a significant risk to move more freely between Canada and the U.S. This program certifies

that greenhouse plants for export are free from quarantine pests, practically free from other injurious pests and conform with the other country's requirements. The number of greenhouses certified by the CFIA under this program increased from 120 to 210 during the 1997-98 fiscal year.

- The CFIA signed certification agreements with Canada's trading partners in several areas, including shipments of cooked pork to Australia, pork to Argentina and Romania, ratites to China and Korea and live pigs to China.
- The CFIA gained USDAs recognition of the brucellosis-free status of Canada's cattle herd. Effective November 1997, Canadian cattle can be certified for export to the U.S. without testing for brucellosis or tuberculosis.
- The CFIA resolved market access issues, resulting in new markets for Canadian seed potatoes in Nicaragua, Uruguay, and Venezuela, apples in Brazil and Israel, wheat in Taiwan and China, soybeans in Thailand and China and wood fuel pellets in Sweden.

Development of National Codes

The Canadian Food Inspection System (CFIS) is a multilateral initiative involving federal, provincial and municipal governments. It is working toward the development of common legislative and inspection approaches to food safety. In the past year progress has been achieved by proposing national standards and voluntary codes of practice. These agreements standardize health and safety requirements, reduce barriers to trade of products by removing substantive and technical barriers that existed due to differences between federal and provincial regulations, as well as streamline inspection delivery. The following represent some of the major initiatives undertaken and under consideration by the CFIS in which the CFIA has participated or played a lead role:

Each year, our veterinarians and inspectors carry out thousands of inspections of food, fish, animals, plants and their products, including lumber, to help facilitate their export to countries around the world, contributing billions of dollars to Canada's economy.

- *National Meat and Poultry Regulations and Code* – the proposed regulatory model has had one round of consultation and is now being revised. Work on the code will begin in the fall of 1998. It is scheduled for completion by January 2000.
- *National Food Retail and Food Services Regulation and Code* – the final draft will be ready for consideration in 1998.
- *Common Legislative Base for Food Safety and Quality* – a policy paper outlining the initiative will be developed in 1998.
- *National Dairy Regulations and Code* – approved by CFIS in 1997. Dairy Processing Interpretative Guidelines are scheduled for approval in the fall of 1998.

- *Edible Horticulture Code* – a workplan regarding regulations and codes in the area of hygienic practices for fruit and vegetables, unpasteurized juices, sprouts and fresh-cut fruit and vegetables has been developed.

Other Performance Information

Industry Satisfaction Survey: In early 1997, a survey of industry clients was conducted by the Ontario region to rate satisfaction with food production and inspection services. A four-point scale was used to measure satisfaction – very satisfied, somewhat satisfied, somewhat unsatisfied and very unsatisfied – in the areas safety inspection, responsiveness to consumer complaints, product grading, health inspection, food safety, product recalls, product registration, labelling, export regulation/certification, import inspection and plant audits. The results indicated that 46-53% were “very satisfied” while 39-41% were “somewhat satisfied”. The information from the survey can be used as baseline data for future performance assessments of activities transferred to the Agency in April 1997.

Looking Ahead

The 1997-98 period has been a year of transition for the CFIA. Maintaining high levels of service while at the same time managing the changes associated with merging the expertise of employees from four separate federal departments, has been one of our key priorities.

A solid Human Resources foundation has been laid out and, in the coming year, efforts will focus on the implementation of policies, programs and services which will contribute to the Agency’s goal of having a qualified workforce capable of providing a service of excellence.

The CFIA’s primary mission will continue to be that of contributing to the production of safe food, to market access and to consumer protection. Plans have already been forged for the coming year and beyond. As outlined in the Corporate Business Plan, 1997-2000, the CFIA will continue to make ongoing service to its clients, through existing and/or evolving programs, a top priority. The Agency will plan for future changes in full consultation with its clients.

The CFIA’s Corporate Business Plan calls for advances in four particular areas:

Effectiveness and Efficiency

An implementation plan for an Integrated Inspection System (IIS), by commodity sector, will be developed, with full consultation with the Agency’s partners. The IIS will be based on risk and sound science and will promote the use of Hazard Analysis Critical Control Point principles and will integrate the different inspection approaches under a common discipline and set of principles.

A legislative review process is underway with industry, consumers, provinces and other stakeholders to develop recommendations for renewal and change. Other changes recommended as the result of operational reviews will be made in the areas of laboratory and quarantine support, program support and operational delivery. Consultations will also continue on all CFIA business initiatives -- program design, regulatory requirements, service standards, opportunities for emerging technologies, cost reduction, service fee refinement and new business initiatives.

Market Access

The CFIA will lead Canada's participation in sanitary and phytosanitary activities, including the triennial review of the World Trade Organization's Sanitary and Phytosanitary Committee. Canadian positions will be developed in close consultation with other partners. Participation in Team Canada and other trade development activities will continue to determine how best the CFIA can provide assistance to meet market access objectives. In addition, the development of a priority-setting process and action plans for bilateral market access issues will be finalized.

Consumer Protection

The Canadian Partnership for Consumer Food Safety Education, whose membership currently stands at more than 40 organizations, will continue to work on reducing food-borne illness in Canada by increasing awareness of safe handling practices through the coordination and delivery of food safety education programs aimed at the consumer. Through the application of the IIS, import programs oriented to food safety will be enhanced. A consultation process will be launched to review the CFIA's labelling policies and activities. The CFIA will also be embarking on a comprehensive review of its compliance and enforcement policy with a view to enhancing marketplace fairness. As well, steps will be taken to enhance communications with provinces on product recalls.

Intergovernmental Cooperation

The CFIA will continue to pursue efforts to improve federal-provincial/territorial partnerships, through the cross-designation of inspectors and the entering into agreements with provinces and territories to provide services and to explore the possibilities of forming corporations. Memoranda of Understanding with regard to food inspection between the CFIA and provinces will be reviewed and updated. New, bilateral opportunities with the provinces and territories for more integrated delivery of inspection services will continue to be explored. Support will also continue to be provided to the Canadian Food Inspection System on the development of more harmonized standards and a more integrated inspection delivery system.

IV - Financial Performance

Financial Performance Overview

The tables in this section provide a financial overview of the Canadian Food Inspection Agency's (CFIA) 1997-98 performance. Tables 1 and 2 address CFIA's initial spending plans, total financial authorities and actual expenditures. Table 3 - Historical Comparison of Total Planned Spending to Actual Spending has not been used since CFIA did not exist as a separate entity before 1997-98. Table 4 is a crosswalk between the previous activity structure for food inspection elements in AAFC, Department of Fisheries and Oceans and Health Canada and the new Agency structure. Table 5 - Resource Requirements by Organization and Business Line has not been used since the Agency only has one business line. Tables 6 and 7 pertain to Revenues and have not been used, since the Agency has one business line and this information is displayed in Table 2. Table 8 - Statutory Payments has not been used, since this information is displayed in Table 1. Table 9 - Transfer Payments has not been used, since contributions by the Agency are negligible. Tables 10 and 11 address Capital Spending (figures displayed in Tables 1 and 2) and Capital Projects respectively. Tables 12, 13, 14 have not been used, since they do not apply to the Agency. Table 15 - Contingent Liabilities has not been used, since this information is displayed in Appendix 1. Appendix 1 is the Agency's Audited Financial Statements.

The 1997-98 fiscal year was a period of transition for CFIA. Although the Agency was created through legislation effective April 1, 1997, it shared the appropriations of AAFC for the fiscal year. CFIA has only one business line and financial information is presented accordingly.

The net change between the initial spending plans of CFIA and its total financial authorities was an increase of \$23.0 million (7%). This change is principally due to the following items approved in the 1997-98 Supplementary Estimates:

- operating budget carry-forward from 1996-97 (\$12.7 million);
- a funding increase for the Early Retirement Incentive/Departure Allowance program (\$4.7 million);
- a funding increase due to incremental statutory compensation payments (\$1.1 million);
- a funding increase to cover costs under the Workforce Adjustment Program (\$4.9 million).

The difference between actual financial authorities and actual expenditures is a variance of 1.4%. This minor difference is largely attributable to planned carry-forwards in the Operating Vote (\$2.9 million) and in the Capital Vote (\$0.6 million) and a variance in the Cost of Services provided by other departments (\$0.5 million).

Revenues generated through the charging for inspection fees and services are the largest contributors to the revenues in 1997-98. These revenues are available to the Agency for respending as per Section 30 of the *CFIA Act*.

Notes to Statement of Operations

Financial Table 1 - Summary of Voted Appropriations

A. Authorities for 1997-98				
Financial Requirements by Authority (millions of dollars)				
Vote		1997-98 Planned Spending	1997-98 Total Authorities	1997-98 Actual
	Safe Food, Market Access and Consumer Protection			
1	Operating Expenditures	280	301	282
5	Capital Expenditures	11	11	10
10	Grants and Contributions	(1)	(1)	(1)
(S)	Contributions to Employee Benefit Plans	35 ⁽²⁾	35	35
(S)	Compensation Payments in accordance with requirements established by Regulations under the <i>Health of Animals Act</i> and the <i>Plant Protection Act</i> and authorized pursuant to the <i>Canadian Food Inspection Agency Act</i>	2	3	3
	Total Agency	327⁽²⁾	350⁽⁴⁾	330⁽³⁾

Note: ⁽¹⁾ Total voted contributions are less than \$250K.

⁽²⁾ Employee Benefit Plans were displayed at 21% (\$43M) in the RPP for comparison to future years. For comparison to actual expenditures, they have been converted to 17% (\$35M) for display in the DPR.

⁽³⁾ Does not include services provided without charge by other Government departments (\$16M).

⁽⁴⁾ Due to the shortfall of revenues collected against targets (i.e. \$43M versus \$59M) actual financial authorities available was \$335M.

Financial Table 2 - Comparison of Total Planned to Actual Spending

Agency Planned versus Actual Spending by Business Line (millions of dollars)									
Business Lines	FTEs	Operating	Capital	Voted Grants and Contributions	Sub-total Gross Voted Expenditures	Statutory Grants and Contributions	Total Gross Expenditures	Less: Revenue Credited to the Vote	Total Net expenditures
Safe Food, Market Access and Consumer Protection									
Planned	4555	315	11	(1)	326	1	327	63	264
Authorities	4555	336	11	(1)	347	3	350	59	291
Actuals	----	317	10	(1)	327	3	330	42	288
Other Revenues and Expenditures									
Revenue Credited to CRF									
Authorities									(1)
Actuals ⁽²⁾									(1)
Cost of Services provided by other departments									
Authorities									17
Actuals									16
Net Cost of Program									
Authorities	4555								307
Actuals	-----								303

⁽¹⁾ Total voted contributions are less than \$250K

⁽²⁾ Includes refunds of previous year's expenditures (\$655K) and interest on overdue accounts (\$69K)

Financial Table 3 - Historical Comparison of Total Planned to Actual Spending

Prior to April 1, 1997, the Canadian Food Inspection Agency (CFIA) did not exist as a separate entity. Applicable figures for 1997-98 are displayed in Financial Table 2.

Financial Table 4 - Crosswalk

Crosswalk between Old Resource Allocation and New Allocation	
	New Allocation
Old Allocation	Canadian Food Inspection Agency (Safe Food, Market Access and Consumer Protection)
Agriculture and Agri-Food Canada ⁽¹⁾	237
Health Canada	1
Fisheries and Oceans Canada	28
Supplementary Estimates ⁽²⁾	25
TOTAL	291
FTEs	4555

⁽¹⁾ Includes \$9.4 million from Health Canada transferred to AAFC via the 1997-98 ARLU as Phase 1 of the creation of the CFIA.

⁽²⁾ Statutory Contribution	2.2
Transition Funding	6.2
Additional ERI/DA funding	4.7
Reprofiled Capital	(0.5)
Planned carry forward from 1996-97	<u>12.7</u>
Total	<u>25.3</u>

Financial Table 5 - Resource Requirements by Organization and Business Line.

Only one business line. Not applicable..

Financial Table 6 - Revenues to the Vote

Only one business line. Applicable figures are displayed in Financial Table 2.

Financial Table 7 - Revenues to the CRF

Only one business line. Applicable figures are displayed in Financial Table 2.

Financial Table 8 - Statutory Payments

Only one Statutory Contribution. Applicable figures are displayed in Financial Table 1.

Financial Table 9 - Transfer Payments

Transfer payments (all contributions) are too small and would not show up in millions of dollars.

Financial Table 10 - Capital Spending by Business Line.

Only one business line. Applicable figures are displayed in Financial Tables 1 and 2.

Financial Table 11 - Capital Projects

Capital Projects by Business Line (millions of dollars)						
Business Line	Current Estimated Total Cost	Actual 1995-96	Actual 1996-97	Planned Spending 1997-98	Total Authorities 1997-98	Actual 1997-98
Safe Food, Market Access and Consumer Protection						
Winnipeg Laboratory	69	11	6	8	8	8
Projects valued at under \$5 million		3	8	2	2	2
Total		14	14	10	10	10

Financial Table 12 - Status of Major Crown Projects

Not applicable.

Financial Table 13 - Loans, Investments and Advances

Not applicable

Financial Table 14 - Revolving Fund Financial Summaries

Not applicable

Financial Table 15 - Contingent Liabilities

See note seven (7) of the audited financial statements appended to the Annual Report - Financial Performance (page 42).

MANAGEMENT RESPONSIBILITY FOR FINANCIAL REPORTING

The management of the Canadian Food Inspection Agency (the "Agency") is responsible for the preparation of all information included in its financial statement and Annual Report. These reports are legislated requirements as per Section 23 of the *Canadian Food Inspection Agency Act*. The accompanying financial statement has been prepared in accordance with the reporting requirements and standards established by the Receiver General for Canada for departmental corporations. This financial statement was prepared in accordance with the significant accounting policies set out in Note 2.

Management is responsible for the integrity and objectivity of the information in this financial statement. Some of the information in the financial statement is based on management's best estimates and judgment and gives due consideration to materiality. To fulfil its accounting and reporting responsibilities, management maintains a set of accounts which provides a centralized record of the Agency's financial transactions. Financial information and operating data contained in the ministry statements and elsewhere in the *Public Accounts of Canada* is consistent with this financial statement.

Management maintains a system of financial management and internal control designed to provide reasonable assurance that the financial information is reliable and that assets are safeguarded, that transactions are executed in accordance with prescribed regulations, within Parliamentary authorities, and are properly recorded to maintain accountability of Government funds. Management also seeks to assure the objectivity and integrity of data in its financial statement by the careful selection, training and development of qualified staff, by organizational arrangements that provide appropriate divisions of responsibility, and by communications programs aimed at ensuring that regulations, policies, standards and managerial authorities are understood throughout the Agency.

The Agency intends, as stipulated under Section 31 of the *Canadian Food Inspection Agency Act*, to maintain its accounting records according to generally accepted accounting principles. However, proclamation of Section 31 has been deferred. It is management's intention to seek Governor-in-Council approval to have Section 31 proclaimed effective April 1, 1999, which will coincide with the implementation of a new accrual based financial and materiel management system.

The Auditor General of Canada conducts an independent audit and expresses an opinion on the accompanying financial statement.

Ronald L. Doering
A/President

J. Jones
A/Comptroller

Ottawa, Canada
August 12, 1998

CANADIAN FOOD INSPECTION AGENCY

Statement of Operations

For the year ended March 31, 1998

(in thousands of dollars)

	1998
Expenditures:	
Operating and administration:	
Salaries and employee benefits	\$ 245,634
Employee termination benefits	17,230
Professional and special services	17,459
Utilities, materials and supplies	16,005
Travel and relocation	14,452
Furniture and equipment	10,373
Accommodation	8,896
Repairs	4,908
Communication	4,595
Information	1,908
Equipment rentals	1,114
Miscellaneous	218
	342,792
Grants and contributions:	
Compensation payments (note 9)	2,843
Other	125
	2,968
Total expenditures	345,760
Non-tax revenues:	
Fees, permits and certificates:	
Inspection fees	36,079
Registrations, permits, certificates	2,380
Establishment licence fees	1,215
Grading	303
Miscellaneous fees and services	1,936
	41,913
Refunds of previous years' expenditures	655
Capital assets disposal	405
Fines and penalties	104
Interest on overdue accounts	69
	1,233
Total non-tax revenues	43,146
Net cost of operations (note 3)	\$ 302,614

Contingencies (note 7)

The accompanying notes are an integral part of this statement.

Approved by:

R. Doering
A/President

J. Jones
A/Comptroller

CANADIAN FOOD INSPECTION AGENCY

Notes to Statement of Operations
For the year ended March 31, 1998

1. Authority and purpose:

The Canadian Food Inspection Agency (the "Agency") was established, effective April 1, 1997, under the *Canadian Food Inspection Agency Act*. The Act consolidates all federally mandated food and fish inspection services and federal animal and plant health activities into a single agency.

The Agency is a departmental corporation named in Schedule II to the *Financial Administration Act* and reports to Parliament through the Minister of Agriculture and Agri-Food.

The mandate of the Agency, as outlined in its Corporate Business Plan, is to enhance the effectiveness and efficiency of federal inspection and related services for food and animal and plant health. The objectives of the Agency are to contribute to a safe food supply and accurate product information; to contribute to the continuing health of animals and plants; and to facilitate trade in food, animals, plants and related products.

The Agency is responsible for the administration and enforcement of the following acts: *Agriculture and Agri-Food Administrative Monetary Penalties Act, Canada Agricultural Products Act, Canadian Food Inspection Agency Act, Feeds Act, Fertilizers Act, Fish Inspection Act, Health of Animals Act, Meat Inspection Act, Plant Breeders' Rights Act, Plant Protection Act and Seeds Act*.

In addition, the Agency is responsible for enforcement of the *Consumer Packaging and Labelling Act* and the *Food and Drugs Act* as they relate to food and the administration of the provisions of the *Food and Drugs Act* as they relate to food, except those provisions that relate to public health, safety or nutrition.

The Minister of Health remains responsible for establishing policies and standards relating to the safety and nutritional quality of food sold in Canada. The Minister of Health is also responsible for assessing the effectiveness of the Agency's activities related to food safety.

Operating expenditures are funded by the Government of Canada through a budgetary lapsing authority. Revenues received through the conduct of its operations are deposited to the Consolidated Revenue Fund and are available for use by the Agency. Compensation Fund payments and employee benefits are authorized by separate statutory authorities.

CANADIAN FOOD INSPECTION AGENCY

Notes to Statement of Operations, page 2

For the year ended March 31, 1998

2. Significant accounting policies:

The statement of operations has been prepared in accordance with the reporting requirements and standards established for departmental corporations by the Receiver General for Canada.

Section 31 of the *Canadian Food Inspection Agency Act*, which requires the preparation of financial statements in accordance with generally accepted accounting principles (GAAP), has not yet been proclaimed. Management is working toward the preparation of GAAP financial statements for the year ending March 31, 2000.

The most significant accounting policies are as follows:

(a) Expenditure recognition:

Expenditures are recorded on an accrual basis, with the exception of employee termination benefits and accumulated vacation pay which are recorded on a cash basis when paid.

(b) Revenue recognition:

Non-tax revenues are recorded on a cash basis.

(c) Capital expenditures:

Acquisitions of capital assets are charged to operating expenditures in the year of purchase.

(d) Services provided without charge by other Government departments:

Estimates of amounts for services provided without charge by other Government departments are included in expenditures.

(e) Contributions to Superannuation (Pension) Plan:

The Agency's employees participate in the Superannuation Plan administered by the Government of Canada. The employees and the Agency contribute equally to the cost of the plan. Contributions by the Agency are charged to expenditures in the period incurred and represent the total obligation of the Agency to the Plan.

CANADIAN FOOD INSPECTION AGENCY

Notes to Statement of Operations, page 3

For the year ended March 31, 1998

3. Parliamentary appropriations:

The Agency was created effective April 1, 1997, and the authority for the Agency's 1997-98 operating resources was included in the appropriations of Agriculture and Agri-Food Canada (AAFC). Section 32.1 of the *Canadian Food Inspection Agency Act* deems these resources to be appropriated for the Agency's purposes.

	1998
	(in thousands of dollars)
Vote:	
Vote 1 - AAFC (Operating expenditures)	\$ 295,170
Vote 1a - AAFC (Operating expenditures) - Transition funds	5,750
Vote 5 - AAFC (Capital expenditures)	11,247
Vote 10 - AAFC (Grants and contributions)	519
Statutory compensation fund	2,843
	<u>315,529</u>
Add statutory contributions to employee benefit plans	34,636
	<u>350,165</u>
Less:	
Reduction in appropriation available due to shortfall in revenue credited to the vote ¹	15,621
Amount lapsed	4,530
	<u>330,014</u>
Add services provided without charge by other Government departments:	
Accommodation	1,811
Employee benefits	13,637
Other	298
	<u>15,746</u>
Less non-tax revenue	43,146
	<u>302,614</u>
Net cost of operations	\$ 302,614

¹ The shortfall in revenue has been adjusted downwards by \$4,800 thousand representing forecast revenue for fish inspection services which was not subject to respending restrictions.

CANADIAN FOOD INSPECTION AGENCY

Notes to Statement of Operations, page 4

For the year ended March 31, 1998

4. Accounts receivable:

As at March 31, 1998, the Agency has current accounts receivable from outside parties relating to its normal service activities.

	1998
	(in thousands of dollars)
Outside parties:	
Inspection fees	\$ 6,367
Grading	9
Miscellaneous fees and services	6
	6,382
Less: allowance for doubtful accounts	380
	\$ 6,002

Revenues associated with these accounts receivable are not reflected in the statement of operations.

5. Liabilities:

As at March 31, 1998, the Agency has liabilities of the following amounts:

	1998
	(in thousands of dollars)
Accounts payable and accrued liabilities	\$ 29,164
Salaries payable	5,454
Contractors' holdbacks	35
	34,653
Vacation pay	10,730
Employee termination benefits	22,558
Total liabilities	\$ 67,941

CANADIAN FOOD INSPECTION AGENCY

Notes to Statement of Operations, page 5

For the year ended March 31, 1998

5. Liabilities (continued):

The costs associated with accounts payable and accrued liabilities, salaries payable and contractors' holdbacks are reflected in the statement of operations.

The costs associated with the liabilities for vacation pay and employee termination benefits are not reflected in the statement of operations. These costs are recognized when paid (note 2(a)). These liabilities represent an obligation of the Agency that are normally funded through the Treasury Board.

6. Capital expenditures:

Capital assets including land, buildings, laboratories and equipment, were transferred from Agriculture and Agri-Food Canada, Health Canada and the Fisheries and Oceans Canada at the time of the Agency's creation.

During the year, the Agency incurred capital expenditures of \$9,764 thousand which have been charged to the following operating expenditures.

	1998
	(in thousands of dollars)
Professional and special services	\$ 200
Utilities, materials and supplies	193
Travel and relocation	368
Furniture and equipment	2,850
Accommodation	6,138
Information	15
	<hr/> <hr/> \$ 9,764

7. Contingencies:

The Agency is a defendant in certain cases of pending and threatened litigation which arose in the normal course of operations. At March 31, 1998, the total amount of claims is estimated at \$168.2 million. Settlement, if any, that may be made with respect to these actions, is expected to be accounted for as an operating expense of the applicable years.

CANADIAN FOOD INSPECTION AGENCY

Notes to Statement of Operations, page 6

For the year ended March 31, 1998

8. Specified purpose account:

The Agency conducts joint projects with outside organizations related to Food Inspection and Animal and Plant Health. Funds received from the outside organizations are administered by the Agency through a specified purpose account. The transactions of the specified purpose account are not reflected in the statement of operations.

	1998
	(in thousands of dollars)
Balance, beginning of year	\$ 751
Add: receipts	1,531
Less: expenditures incurred	(1,549)
Balance, end of year	\$ 733

9. Compensation payments:

The *Health of Animals Act* and the *Plant Protection Act* allow for the Minister, via the Agency, to compensate owners of animals, plants and things destroyed pursuant to the *Acts*. Funding for compensation payments is provided by a statutory contribution. Actual expenditures for compensation payments for the year ended March 31, 1998, were as follows:

	1998
	(in thousands of dollars)
Health of animals	\$2,843
Plant protection	-
	\$2,843

10. Advisory board:

Pursuant to Section 10 of the *Canadian Food Inspection Agency Act* the Minister of Agriculture and Agri-Food has appointed an advisory board to advise the Minister on any matter within the responsibility of the Agency. Expenditures relating to the board's activities amounted to \$14 thousand and are included in the statement of operations.

CANADIAN FOOD INSPECTION AGENCY

Notes to Statement of Operations, page 7

For the year ended March 31, 1998

11. Related party transactions:

Through common ownership, the Agency is related to all Government of Canada departments, agencies and Crown corporations. The Agency enters into transactions with these entities in the normal course of business.

12. Uncertainty due to the Year 2000 Issue:

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the Agency, including those related to the efforts of other government departments and agencies, customers, suppliers, or other third parties, will be fully resolved.

V - Consolidated Reporting

Regulatory Initiatives

Reviewing Legislation

The CFIA, in partnership with Health Canada, identified the need for a comprehensive review of the legislation they administer. This was confirmed during consultations with consumers, industry and public-sector partners. As a result, a Task Force on Legislation was established to prepare a plan for legislative renewal to assist the Agency in developing:

- a more uniform, consistent and comprehensive approach to safety and quality standards and related requirements, combined with an efficient and effective compliance and enforcement system; and
- legislation that is up to date, coherent, rational, user-friendly and simple to administer.

A discussion paper entitled “Legislative Renewal: Exploring options for legislative change” was distributed nationally in December 1997. Consultations with stakeholders in early 1998 formed the basis of a plan to modernize and consolidate legislation administered and/or enforced by the CFIA.

In parallel with the Task Force's review is a federal-provincial-territorial initiative to develop a Common Legislative Base/Common Regulatory Base (CLB/CRB) for food law in Canada. The CLB/CRB initiative is being undertaken through the CFISIG. The intent is to create harmonized national food safety and quality standards and a common legislative framework to ensure equivalence of all food legislation at both federal, provincial and territorial levels.

The goal of these legislative initiatives is to provide uniform health and safety standards for all Canadians and an equivalent approach to industry regulation. This will benefit consumers and industry, as well as contribute to the Agency’s goal of safe food, market access and consumer protection.

VI - Other Information

Contacts for Further Information and CFIA Website

Additional copies of this publication can be obtained by writing to or faxing one of the Canadian Food Inspection Agency offices in your area. An electronic version of this document is available on the Internet. The CFIA website address is: www.cfia-acia.agr.ca

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Legislation Administered

The CFIA is responsible for the administration and enforcement of the following acts: *Agriculture and Agri-Food Administrative Monetary Penalties Act, Canada Agricultural Products Act, Canadian Food Inspection Agency Act, Feeds Act, Fertilizers Act, Fish Inspection Act, Health of Animals Act, Meat Inspection Act, Plant Breeders' Rights Act, Plant Protection Act and Seeds Act.*

In addition, the Agency is responsible for enforcing the *Consumer Packaging and Labelling Act* and the *Food and Drugs Act* as they relate to food, and administering the provisions of the *Food and Drugs Act* as it relates to food (except those provisions of the *Act* that relate to public health, safety and nutrition).