



Agriculture and
Agri-Food Canada

Agriculture et
Agroalimentaire Canada

ESTIMATES

AGRICULTURE AND
AGRI-FOOD CANADA

2003-2004

REPORT ON PLANS AND PRIORITIES

SECURITY OF THE FOOD SYSTEM • HEALTH OF THE ENVIRONMENT • INNOVATION FOR GROWTH

Canada

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AGRI-FOOD CANADA

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PART I

MESSAGE FROM THE MINISTER



Lyle Vanclief

The year 2002 was a groundbreaking year for the Canadian agriculture and agri-food industry.

On June 20, Prime Minister Jean Chrétien and I announced the Agricultural Policy Framework (APF), an investment of \$5.2 billion over the next six years to help take agriculture into the 21st century.

In addition, by branding Canada as the world's leading supplier of safe, high-quality and innovative agri-food products produced in an environmentally responsible manner, the framework works to secure not only the profitability of the agri-food industry — but also the best quality of life for all Canadians.

Following the signing of the framework agreement in Halifax in June 2002, we moved into the final stages of completing individual agreements with the provinces and territories. The agreements will confirm the measures each government will take in creating the conditions in which all members of the sector — from farmer to processor to retailer — prosper and reach their full potential.

The operating environment in 2002 presented difficult challenges for the sector. The drought and insect damage in western Canada and other regions, and high subsidy levels announced in the U.S. Farm Bill, confirmed the need for policies that help the sector manage risks and seek new opportunities.

Canada's ratification of the Kyoto Protocol was a necessary step in moving ahead on environmental stewardship. With the challenge to change, the Accord presents new opportunities for agricultural innovation and growth, both on and off the farm. For example, it encourages the domestic production and use of biofuels such as ethanol and biodiesel and efforts to expand the use of bioproducts in a wide range of consumer goods, from plastic to cosmetics.

The Agricultural Policy Framework is designed to meet challenges and respond to opportunities such as these. New programming to be introduced over the coming years will allow us to achieve Agriculture and Agri-Food Canada's strategic outcomes: security of the food system, health of the environment, and innovation for growth. Our five priority areas are food safety and quality, environment, business risk management, international issues, and innovation and renewal. They will be the focus of our activities through to 2006 and beyond:

- Enhanced business risk management programming will help producers manage business risks through stabilization and other mechanisms in a way that encourages the management of farms as viable, sustainable businesses.
- Food safety programming will involve working with provinces and industry to develop system-wide traceability and government-recognized quality systems, to enhance the confidence in and desirability of our products worldwide.
- Environmental programming will support industry efforts to build a more sustainable agriculture sector that benefits us all.
- Innovation and renewal projects and programs will concentrate on realizing opportunities in the areas of sustainable production, bioproducts and bioprocesses, food safety and the environment, as well as assisting farmers in managing the business transitions needed in these times of change.
- International work will concentrate on expanding existing markets, creating new ones, and making progress in eliminating unfair trading practices in the global marketplace.

We are now positioned to deliver on our vision of securing the future of our sector and the best quality of life for all Canadians, and I am confident that we will succeed.



LYLE VANCLIEF
*Minister of Agriculture and Agri-Food
and Minister Coordinating Rural Affairs*

MESSAGE FROM THE SECRETARY OF STATE FOR RURAL DEVELOPMENT



Andy Mitchell

Canada's foundation — in the past as in the future — can be traced to the strength and vitality of its rural communities. The ongoing sustainability of rural Canada is in the best interest of urban and rural Canadians alike. The reinforcement of the Government of Canada's commitment to healthy and vibrant rural communities over the past year has set the stage for a long-term vision for rural Canada.

The \$5.2-billion investment in the Agricultural Policy Framework (APF) and its related activities will contribute to a strong agriculture sector, which will in turn benefit rural Canada.

The activities related to the APF go a step further, with an enhanced commitment to the Canadian Rural Partnership (CRP). The CRP provides a focus for 29 federal departments and agencies to create the social, economic and cultural climate within which rural Canada can thrive. The CRP will receive funding of \$55 million over the next five years to continue its work and enhance its results. An additional \$5 million will be directed towards rural community capacity-building.

The second National Rural Conference in Charlottetown in April 2002 successfully engaged 500 citizens in setting the rural agenda for the next two years with their own local solutions to local challenges. Participants advocated a holistic and collaborative approach to rural development that recognizes that social, environmental and cultural issues are just as important as economic growth to successful rural communities. They have called upon all levels of government to work together in a more cohesive manner to develop the policies, programs and services that will assist rural communities.

The 2002 Speech from the Throne recognizes many challenges that are facing rural Canadians. The Speech from the Throne reinforces the Government of Canada's ongoing commitment to rural and remote communities in several ways: by implementing the Agricultural Policy Framework as a key government priority; by working to resolve trade disputes over softwood lumber and agriculture; and by promising measures to support the development of significant rural projects such as Voisey's Bay and a northern gas pipeline. The 10-year program for infrastructure will accommodate long-term strategic initiatives essential to competitiveness and sustainable growth. It also calls for targeting

programming of regional development activities to better meet the needs of the knowledge economy and to address the distinct challenges of Canada's urban, rural and northern communities.

The Government of Canada's support of co-operatives also contributes to the long-term sustainability of rural Canada. The new five-year, \$15-million Co-operative Development Initiative is meant to further assist rural communities adapt to economic and social change, tap into the knowledge-based economy and use co-operatives to address needs not met in their communities. This investment will help build co-operative capacity at the grassroots level and will strengthen communities and secure a higher quality of life for all Canadians.

The Government of Canada is committed to working collaboratively with provincial and territorial governments, and rural Canadians themselves, to ensure that all Canadians continue to enjoy the benefits associated with the natural attributes of rural Canada and its communities, both now and in the future.



ANDY MITCHELL

Secretary of State

(Rural Development)

(Federal Economic Development Initiative for Northern Ontario)

MANAGEMENT REPRESENTATION



Sammy Watson

We submit, for tabling in Parliament, the 2003-2004 *Report on Plans and Priorities* (RP&P) for Agriculture and Agri-Food Canada (AAFC).

To the best of our knowledge, the information:

- accurately portrays the Department's mandate, plans, priorities, strategies and expected key results of the organization;
- is consistent with Treasury Board policy, instructions and disclosure principles;
- is comprehensive and accurate; and
- is based on sound underlying departmental information and management systems.

We are satisfied with the quality assurance processes and procedures used for the preparation of the *Report on Plans and Priorities*.

The *Planning Structure*, on which this document is based, has been approved by Treasury Board Ministers and is the basis for accountability for the results achieved with the resources and authorities provided.



Diane Vincent

A handwritten signature in blue ink, appearing to read 'Sammy Watson', written over a horizontal line.

Sammy Watson
Deputy Minister

A handwritten signature in blue ink, appearing to read 'Diane Vincent', written over a horizontal line.

Diane Vincent
Associate Deputy Minister

PART II

PLANNING OVERVIEW

Introduction

Last June, the Government of Canada followed through on its commitment in the 2001 Speech from the Throne to move agriculture beyond crisis management, by providing \$5.2 billion for new investments in the agriculture and agri-food sector over six years. Provincial contributions will see this investment increase even more.

Given the constant pressures of the agriculture and agri-food sector operating environment, success depends on a responsive and comprehensive approach that manages the risks of the agriculture and agri-food business. The new direction will provide such an approach, helping our farmers in rural communities and other members of the sector meet and beat the competition today and giving them the edge to continue to thrive in the future. The federal government is leading a dedicated and sustained effort to place Canada first as the global leader in agriculture and agri-food production.

The Government of Canada will help strengthen the profitability of the sector and ensure consumers around the world recognize that Canada's agri-food products are second to none.

In the short term, we will help our farmers meet current challenges and provide a bridge to a new generation of more effective risk management programs. In the long run, the Government of Canada will help strengthen the profitability of the sector and ensure consumers around the world recognize that Canada's agri-food products are second to none. World-leading food safety and environmental safeguards will help us brand our products as safe, high-quality and nutritious food that will be in demand both domestically and abroad.

Of course, the vitality of the agriculture and agri-food sector is reflected most directly by the prosperity of the rural communities that support our farmers. The sector remains one of the key pillars of the economy of rural Canada. Today, rural Canada accounts for 30 percent of our population, 25 percent of our Gross Domestic Product, close to 25 percent of our employment and greater than 40 percent of our trade surplus. This is a significant contribution to our economic strength as a nation and one in which agriculture and agri-food play a key role.

OPERATING ENVIRONMENT

Canada's agriculture and agri-food sector is one of the country's most dynamic and innovative industries, contributing to the high quality of life for all Canadians.

The statistics are striking:

- The Canadian agriculture and agri-food system accounts for some \$112 billion in annual retail and food service sales and about eight percent of the country's total Gross Domestic Product.
- Canada is the world's third-largest agri-food exporter behind the United States and the European Union.
- The industry contributes some \$7 billion to Canada's annual trade balance, which represents about 10 percent of the total Canadian trade surplus.

Drought is a major issue for agriculture. Lack of precipitation for an extended period can stunt or kill crops and vegetation; increase the incidence of insects and disease; decrease the supplies of surface and groundwater for people, livestock and irrigation; and result in soil erosion. The western Prairies is the region most susceptible, but in 2001, drought was experienced to some degree in every province. Moreover, back-to-back droughts on the Prairies in 2001 and 2002 slowed production growth for some crops with value-added potential and created uncertainty for potential investors in processing plants. Droughts have driven home the importance of sustainable farming practices and income stabilization programs.

Despite the strong position that the statistics on the sector's economic contributions convey, a number of pressures and opportunities are shaping the agriculture and agri-food industry's future. **Consumer preferences** are evolving, and the ability to deliver products that meet consumer expectations is becoming more crucial. Increasingly, consumers are demanding products that satisfy a greater range of needs. Increased public concern about food safety issues is raising awareness in the sector of the need to adopt common industry standards at the farm and processor levels. As well, consumer interest in how agricultural products are produced, including potential environmental impacts, is increasing. Such interests are creating new market opportunities for agricultural products produced in environmentally friendly ways, such as organic and reduced-pesticide production.

Protectionist **agriculture policies** in other countries, such as trade-distorting domestic support and export subsidies, remain an impediment to expanded world agricultural and agri-food trade. For example, the U.S. Farm Bill and European Union policies stimulate production and put downward pressure on commodity prices. The Government of Canada is working towards achieving a level international playing field where all countries can compete fairly and on an equal footing.

The challenge is to be able to respond in a manner that is effective.

Federal, provincial and territorial governments have agreed to provide a range of programs and services to help farmers and other members of the sector.

Governments are working with industry stakeholders to build on the best of existing business risk management programs.

Whether the pressures come from the market, the environment or foreign trade measures, the operating environment is consistently dynamic. The challenge is to be able to respond in a manner that is effective.

OUR STRATEGIC RESPONSE

The key challenges of the 21st century — globalization, environmental sustainability, advancing technology and consumer demands — were well recognized three years ago in the shaping of the Agricultural Policy Framework (APF), designed to help the sector manage the risks of business and to capture new market opportunities. Federal, provincial and territorial governments have agreed to provide a range of programs and services to help farmers and other members of the sector in both urban and rural areas:

- increase their profitability through new business opportunities and value-added activities;
- meet market and consumer demands for food safety and quality and environmentally responsible production practices; and
- capture opportunities from advances in science and innovation.

The key components of the APF are reflected in our three strategic outcomes for Canadians: *Security of the Food System*, *Health of the Environment* and *Innovation for Growth*. Over the next three years, an integrated approach across AAFC to achieving our strategic outcomes will help the Canadian agriculture and agri-food industry respond to increasing consumer demands and global competition.

By leading on the key APF action areas of management of business risks on the farm, food safety and quality, the environment, and innovation and sectoral renewal, the Department will significantly contribute to securing a vibrant and profitable future for Canada's agriculture and agri-food industry and for Canada's rural communities.

SECURITY OF THE FOOD SYSTEM

A secure food system is one that can be relied upon by consumers for products and the sector for profitability. Our approach is based on maintaining consumer confidence in the safety and quality of our products, managing the risks faced by farmers, and creating and sustaining access to markets abroad. Canada's agriculture and agri-food sector rightly enjoys a global reputation for consistently delivering safe, high-quality food. Governments are working with industry stakeholders to build on the best of existing business risk management programs — such as crop insurance and the Net Income Stabilization Account (NISA) — to provide effective tools for the evolving sector and to adopt new approaches to current safety net programs. The new approach to business risk management would not only protect farmers against traditional and emerging risks but would also encourage the use of new practices and strategies to reduce risk in the future. The goal is a more integrated system of programs that cover risk,

provide producers with more choice, and promote future growth and profitability.

Many of those involved in the industry are already moving to adopt systems that will offer documented evidence of safety and quality to meet consumer demands. To safeguard Canada's hard-earned reputation, the Department will offer funding, program and technical assistance to help industry develop and implement on-farm and post-farm food safety systems. Among these initiatives is AAFC's commitment to helping industry develop systems to trace their products through the entire food chain to consumers and to expand food safety and quality monitoring at the production level.

With global competition intensifying, Canada must continually innovate to keep ahead of our competitors in satisfying market demand. It is a two-step challenge. The first step is to put the infrastructure in place to ensure Canada is the leading country in the production and reliable supply of safe, high-quality food produced in an environmentally responsible manner, and in the creation of innovative agri-based products and services that meet or exceed market requirements. The second step is to secure the recognition our world leadership in food production deserves and ensure our sector has the international market access it needs to take maximum advantage of its leadership position.

The APF sets out areas where governments can provide help to the industry's environmental stewardship efforts.

HEALTH OF THE ENVIRONMENT

Environmental stewardship is vital to sustaining the industry in the long run and ensuring its profitability. The industry is committed to responsible environmental stewardship and has been working hard to manage impacts on the environment.

Additional resources provided under the APF, in combination with bridge funding, will be used to refocus existing environmental programming and introduce new programs. The APF sets out areas where governments can provide help to the industry's environmental stewardship efforts, including better information and research on the links between agriculture and the environment; the development of beneficial management practices; and increased action on environmental priorities on farms through agri-environmental scans and environmental farm plans.

INNOVATION FOR GROWTH

Innovative ideas can lead to growth when they meet market needs. Our approach to innovation is based in large measure on science, coordinating research and innovation efforts across governments, the sector and private research institutions to achieve maximum return on investments. Alignment of research into the areas of food safety and environmentally responsible production, as well as biomass, bioproduct and bioprocess research, will be a key focal point.

Our approach to innovation is based in large measure on science, coordinating research and innovation efforts across governments, the sector and private research institutions.

AAFC continues to collaborate with a number of universities on research (Guelph, Toronto, McGill, Saskatchewan, Alberta, and Moncton).

Growth will also be fostered by our ability to make the transition to newer, alternative, and often more profitable, practices. In supporting this renewal, we will help farmers increase their ability to assess their financial situation in today's marketplace and find ways to become more profitable. Given the knowledge-intensive nature of agriculture, producers are engaging more and more in continuous learning to keep pace with change. Renewal efforts include enhanced public and private business management and consulting services; marketing and farm management information to help farmers improve their profitability; and networks to better link scientific advances and the creation of new economic opportunities.

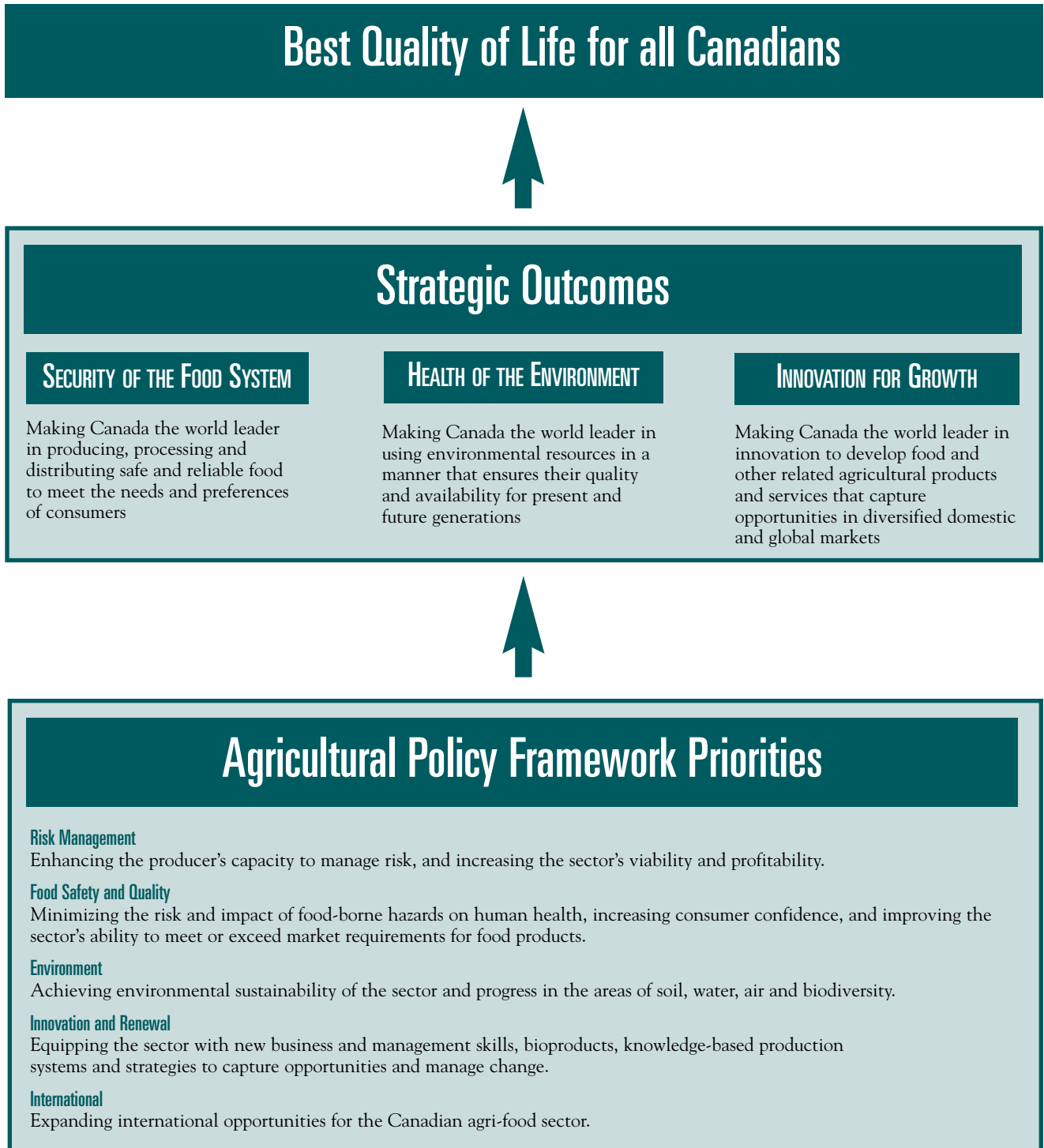
MOVING AHEAD

Our management structure (Figure 1) ensures a collaborative approach to achieving our strategic outcomes. We are continually improving our capacity to manage for and report on results for Canadians.

The sector is positioned for greater business stability and long-term profitability, while Canadian consumers living in both urban and rural areas can enjoy greater assurance about the safety and quality of their food, as well as the environmentally responsible methods used to produce this food.


Figure 1

Agriculture and Agri-Food Canada's Strategic Plan



PART III

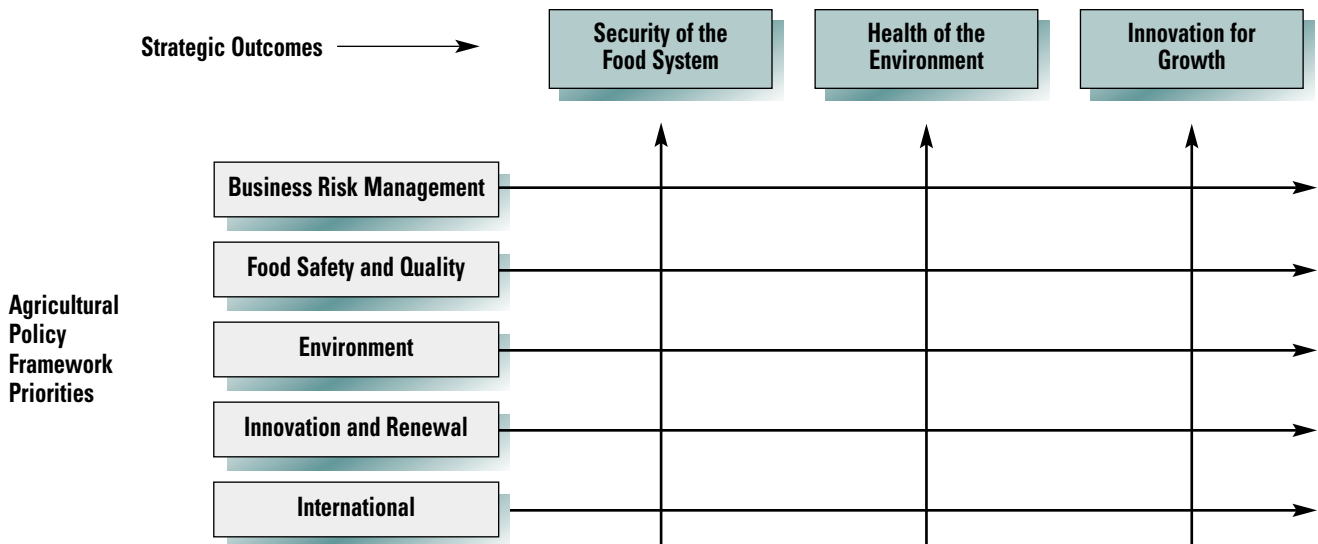
AGRICULTURE AND AGRI-FOOD CANADA'S STRATEGIC PLANS

In our continuing effort to provide Canadians with on-line access to information and services, we are including web links to more information and key outcomes and highlights. These links are indicated by 

This section of the report highlights the Department's priorities for the fiscal year 2003-2004 and states how these priorities will contribute to achieving our Vision and three Strategic Outcomes.

Also contained in this section are descriptions of other areas in which the Department plays a role. They are the Canadian Rural Partnership Initiative, the Co-operatives Secretariat and the Sustainable Development Strategy. Reports by the Canadian Pari-Mutuel Agency and the National Farm Products Council can also be found in this section.

CROSSWALK BETWEEN AAFC'S PRIORITIES AND STRATEGIC OUTCOMES



Security of the Food System

INTRODUCTION

AAFC's approach to agricultural policy is focussed on generating economic strength for the sector. A secure food system is one that consumers can rely upon. A more profitable sector means a more productive and profitable country, which benefits Canadians living in both urban and rural areas in terms of quality of life.

Achieving security of the food system is based both on managing the business risks with respect to crop and livestock production, food safety and quality, environment, and international trade, and on seeking opportunity in creating a strong brand image for Canadian agricultural products. The creation of a strong Canadian brand will stem from our ability to respond to the needs of consumers in an innovative way, preserving safety and quality, while following environmentally sound practices. The management of risks requires an equally balanced strategy.

Under the APF, long-term integrated risk management programming is being designed to focus on growth and improving income prospects. 

For farmers, a more stable and predictable business planning environment is essential. Under the APF, long-term integrated risk management programming is being designed to focus on growth and improving income prospects. The Government of Canada is adopting a forward-thinking approach that will improve farmers' ability to manage risk over time. The result will be greater profitability in farm operations and, subsequently, stronger rural communities.

Major food buyers in Canada and other countries are also seeking predictability, safety and quality in the products they buy. Our response is to make improvements in our production tracking and tracing systems, and gaining recognition of our standards through certification programs, all of which contribute to a strong Canadian agri-food brand.

With respect to international trade, our approach is based on promoting the recognition and desirability of Canadian products (marketing our brand); improving access to markets; responding to technical trade barriers; and bringing our expertise and perspectives on agriculture to developing countries.

Overall, these elements of our strategy will strengthen the security of the food system in terms of profitability, safety and sustainability. It is a strategy not only to mitigate risks and manage economic volatility but also to take advantage of opportunities to build on the strengths of our product and our Canadian approach to agriculture.

OPERATING ENVIRONMENT

Many of the business risks that face producers today are not new. The effects of weather and fluctuations in supply and demand on international commodity markets continue to bring volatility to the agriculture and agri-food business. As we have seen in recent years, shifts in demand for certain food products have been based on real or perceived concerns about safety.

Canada is known as a producer of high-quality and safe food. While Canadians express overall confidence in the safety and quality of their food, food safety incidents such as E.coli outbreaks do raise concerns. Bioterrorism fears have also heightened concerns about the overall security of the international food supply.

Food safety is an increasingly important issue in the international community. The World Health Organization has reported that some countries are reporting significant increases in food-borne diseases and that some other countries' food safety systems may not be keeping up with changes in microbiological and chemical hazards. Canada, as a world leader in food safety, is using its reputation to positively influence the development of international technical standards and policies and, where necessary, to challenge measures in order to maximize international opportunities.

STRATEGIC RESPONSE

Our response has three elements: business risk management, food safety and quality, and international issues.

BUSINESS RISK MANAGEMENT

Building a New Program Framework

AAFC's approach to risk management recognizes that farmers and rural communities face risks that require a diverse range of mitigation strategies.

We also recognize the importance of an approach based on future potential. A key to risk management is learning how well a business strategy actually works and making adjustments that will allow the business to perform better in the future. Profitability as a business goal is based on viability of the business operation, and income stabilization is clearly needed to help farmers through challenging times.

Over the long-term, the Business Risk Management Component will help the sector's farm income stabilize through the use of integrated risk management tools. In the shorter term, each of the next five years will see progress towards expanded production insurance, modified Net Income Stabilization Account (NISA) — which addresses stabilization and income disaster coverage — and the implementation of a broader-based, more flexible lending program.

Combined with the other elements of the APF, this approach will put us in a better position to address new challenges and capture new opportunities. Building on the best of existing programs, the new design for business risk management programming will be based on:

- enhancement of production insurance to provide more comprehensive coverage and greater equity between provinces and territories, and protection for new commodities;
- enhancement of Net Income Stabilization Account (NISA) that integrates income stabilization and the capacity to recover from income disasters in the short term;
- transition measures to move existing safety net programming to the two program set, nationally based;
- implementation of a broader-based, more flexible lending program; and
- development of private-sector risk management products to address industry-identified vulnerabilities for which protection is not available.

From the federal perspective, a three-year transition period will assist in the movement towards consistent national programs.

Production Insurance

A key element of the new framework will involve the expansion of the current crop insurance program to a more comprehensive production insurance system.

The revised program will feature a wider range of options and increased protection levels, up to 90 percent, to eliminate gaps and limitations in existing programs, and to provide for more equitable cost-sharing arrangements. These changes will place greater emphasis on cost-effective program designs and improve the efficiency of program delivery.

Net Income Stabilization Account

The NISA is being re-designed to provide assistance to stabilize income, support disaster relief, and by 2006 incorporate long-term investment strategies.

New NISA parameters will more actively involve producers in the management of their risks, while focussing government assistance towards demonstrated need. Under the new parameters, participants will be able to access government contributions when triggered funds are withdrawn. This feature will ensure public funds are used to help strengthen the sector for the future.

Cash Advance and Private Sector Risk Management Partnerships

Farmers will also have tools other than production insurance and NISA to deal with farm business risks. In the past, two programs have been used to assist producers in addressing their cash flow challenges: the Spring Credit

Advance Program (SCAP) and the fall program, the Advance Payments Program (APP). These programs ensure that producers have access to capital, allowing them to make production or marketing decisions that are based on what is best for the profitability of the farm. It is proposed that the cash advance programs be extended for five years, concurrent with the APF. With proposed changes in other programs, governments are also looking at ways to integrate the cash advance programs within the new business risk management approach and to broaden the role they play. The proposed Private Sector Risk Management Partnerships (PSRMP) will provide financial and technical assistance to projects led by commodity or other agricultural organizations for the development of private-sector agricultural risk management tools. These tools will address farm business risks, such as business interruption, asset loss and income loss.

Enhanced Service Delivery

Excellence in program design needs to be matched with excellence in program delivery — which means responding to client needs. With this in mind, AAFC will pursue better service delivery through negotiated service delivery arrangements with provinces, stronger delivery mechanisms and improved internal business processes.

In 2003-2004, we will work with provinces to implement a common service delivery approach and share existing and new data sources.

FOOD SAFETY AND QUALITY

Improving Food Safety Systems and Quality Recognition

Farmers and producers are continually seeking to raise the standards of food safety and quality. Canadian farmers and producers are working to ensure that Canada's food is not only safe but that it is also considered the safest available to consumers all over the world.

Effective tracking and tracing mechanisms are key to maintaining a strong food safety and quality system. To this end, AAFC will offer funding, program and technical assistance to help industry develop and implement Hazard Analysis and Critical Control Point (HACCP) or HACCP-based on-farm and post-farm food safety systems. The HACCP approach complements traditional methods of food safety inspection and emphasizes prevention and correction at every major link in the food production and processing chain. At the farm level, assistance to producers to implement on-farm food safety systems will build on the Canadian On-Farm Food Safety program. For post-farm food safety, new approaches will be based on the Canadian Food Safety Adaptation Program.

Identity preservation can be a major factor in quality assurance. We will work with industry to capitalize on this feature to keep current markets and capture niche markets. AAFC will also partner with industry to develop national food

Over the next year, a national surveillance infrastructure framework will be developed that will help focus risk mitigation strategies and integrate public health data with agri-food data.

quality systems through funding, technical assistance and government recognition. A framework will also be established on developing a coordinated national research strategy for food safety and food quality research.

INTERNATIONAL ISSUES

Gaining Recognition and Building Markets

As a leader in food safety and environmental standards, our goal is to make Canada's reputation a benchmark for the world. To this end, AAFC will pursue joint marketing strategies with industry to gain recognition for the quality of Canadian products.

The Department is preparing a branding strategy consisting of initiatives to help promote Canada's strengths as a reliable supplier of quality food produced in an environmentally responsible manner. Canada branding pilot programs are being developed as part of this effort.

Facilitating Canadian industry awareness of global market demands and opportunities is also key to building markets. The Canadian agriculture and agri-food sector will benefit from AAFC's enhanced in-market trade and investment support, and an improved technical marketing capacity that responds to identified industry needs. This support will be provided through various services to help realize international opportunities, including export preparedness and counselling initiatives, market information and intelligence, and investment promotion. Furthermore, integrated marketing strategies aimed at targeted geographic markets will be implemented in partnership with industry.

Improving Market Access

The effects of trade-distorting subsidies by other countries are certainly damaging to Canadian producers. The impacts on the sector can be significant.

The best way to achieve a fair trading system is for all countries to work closely together for progress at the World Trade Organization (WTO). In the WTO negotiations, Canada has continually pressed for lower trade-distorting subsidies so that farmers from all countries can enjoy higher market returns. We are committed to ensuring that decisions on the production and marketing of Canadian products continue to be made in Canada.

At Doha in 2001, WTO members agreed to undertake comprehensive negotiations on agriculture. The goals are clear and ambitious. By January 2005, it is hoped a final agreement can be reached that would include significant improvements in market access; reduction, with a view to phasing out, of all forms of export subsidies; and substantial reductions in trade-distorting domestic support. These objectives line up with Canada's negotiating position.

While the WTO process unfolds, additional talks at the regional level will go forward. For example, Canada will continue to negotiate with four Central American countries with a goal of having a free trade agreement in place in 2003.

The Free Trade Area of the Americas negotiations will also proceed towards achieving an agreement by 2005. In addition, bilateral free trade agreement negotiations with countries such as the Dominican Republic will be initiated. Canada's efforts to advocate concrete action on improved market access, domestic support and export subsidies are backed up by a strong network of federal-provincial coordination groups and industry engagement bodies such as the National Sectoral Roundtables, the Canadian Agri-Food Marketing Council and the Agriculture, Food and Beverage Sectoral Advisory Group on International Trade (SAGIT).

Overcoming Technical Barriers

While buyers are asking for greater assurances of food safety and environmental sustainability, governments are raising their standards for human, animal and plant health protection. The Government of Canada is moving to respond better to the expectations of domestic and foreign consumers and to overcome technical trade barriers.

AAFC will work with partners and stakeholders to develop market access protocols with key trading partners as needed and to pursue more rapid resolution of technical barriers to market access. As well, with active participation in discussion of international trade issues and standards, Canadian priorities and APF policy approaches will increasingly inform the debate in multilateral standard-setting organizations. This action will contribute to further success in overcoming technical trade issues in the long run.

International Development

If developing countries are to realize their potential, they must be able to produce and compete in an international market that is open and undistorted by subsidies. To this end, they need to build their own trade policy capacity to take their rightful places as full participants in the international trading community and benefit from agricultural trade reform within the WTO. Through assistance projects in partnership with the Canadian International Development Agency (CIDA) and in collaboration with developing countries, AAFC will continue to share its expertise and experience in this and a range of other areas.

BENEFITS FOR CANADIANS

The APF strategy for security of the food system is an integrated package that aims to increase the profitability of the sector by:

- operating and contributing to risk management programming that will help farmers manage the risks inherent to their business;
- assisting with improvements to safety and quality within our food system, as well as in gaining recognition for our high standards; and
- assisting Canadians in gaining fair access to markets, opening up new markets, and expanding existing markets.

AAFC will also assist the sector in meeting consumer needs in the area of food safety and quality. Safe, high-quality food is healthy food — a goal that is as desirable in social terms as it is in economic terms.

Getting our quality products to market is important domestically and internationally. The benefits of economic prosperity that all Canadians enjoy stem from growth in sales. That growth can be achieved through better marketing and better access to markets. The result will be a more vibrant agriculture sector and rural Canada for the future.

Health of the Environment

INTRODUCTION

Over the past decade, Canadians have taken an increasingly greater interest in the health of their natural environment — the cleanliness of its air, water and soil, as well as the impact on biodiversity. The need to exercise the principles of good stewardship in our interaction with the environment has become a common public value. The APF responds to these interests by promoting environmentally friendly practices, not only for reasons of health and agricultural and rural sustainability but also as a competitive advantage in the marketing of Canadian products, both at home and abroad. Clearly, protecting the health of Canada's environment will benefit all Canadians.

AAFC recognizes that agriculture and environment are indeed two sides of the same coin and is committed to working with the provinces and territories to improve environmental conditions, beginning with a focus at the farm level. To this end, we will help increase understanding and awareness of good environmental management across Canadian farms, given their close connection with local air, water and soil quality and the influence that farming practices can have on biodiversity.

While changes in the sector's management practices to improve environmental stewardship have a cost, the benefits are desirable. Through APF environmental programs, the government is committed to help share with producers the cost associated with improving our natural environment. Enhanced environmental stewardship also makes good business sense. Producers recognize that consumers are increasingly concerned about environmental standards for food production. Environmental stewardship is key to increasing the profitability and prosperity of the sector and their associated rural communities.

Environmental stewardship is key to increasing the profitability and prosperity of the sector and their associated rural communities.



OPERATING ENVIRONMENT

The fall of 2002 saw Canadian farmers in the Prairies facing a challenge caused by drought. The lack of precipitation during the season and the below average spring run-off left farmers with low yields and crops that would not sustain their livestock through the winter. The damage done by the unpredictable weather affected family incomes, health of livestock and potential yields for years to come.

Also this past fall, the Government of Canada released the *Climate Change Plan for Canada* and went on to ratify the Kyoto Protocol in December. The targets of the Kyoto Protocol create opportunities for the sector to participate in carbon emissions trading and to expand its presence in the energy industry, as an increased demand for bioproducts and biofuels is the likely result of the search for ways to reduce greenhouse gas emissions.

Issues such as climate change and pest control products are challenging the Canadian agriculture and agri-food sector to continue to produce foods using agricultural products that were made using environmentally sound practices. Increasingly, consumers are questioning the origins of products, and communities are concerned with the biodiversity of their region.

Environmental issues facing the agriculture and agri-food sector touch all Canadians in both urban and rural areas and tend to maintain a prominent position in the public consciousness. Environmental stewardship is based both on an increasing awareness of the impact of the environment on various aspects of our quality of life and on a heightened interest in the environmental legacy we will leave future generations.

STRATEGIC RESPONSE

Working with provincial and territorial governments and using science-based tools, such as environmental farm plans and best management practices, the APF will establish national objectives, a coordinated approach and effective programs.

To facilitate improvements in agricultural environmental stewardship, AAFC will be investing at least \$650 million over the next five years. Working with provincial and territorial governments and using science-based tools, such as environmental farm plans and beneficial management practices, the APF will establish national objectives, a coordinated approach and effective programs.

The funding will go towards such goals as improving access to reduced risk pesticides, increasing the number of farms with environmental plans, and better managing environmentally fragile land risk. It will also help with the continued adoption of better farming practices to improve the quality of our soil.

Programs and other activities will be focussed on six areas:

- concerted action through environmental farm planning;
- better agricultural land management to protect soil, water, air and biodiversity;
- enhancing and protecting the water supply;
- gaining a better understanding of agricultural impacts on the environment;
- better pest management to improve competitiveness; and
- measuring and reporting performance.

CONCERTED ACTION THROUGH ENVIRONMENTAL FARM PLANNING

As agricultural production begins at the farm, so too must our approach to environmental stewardship. The cornerstone to on-farm action will be laid by federal and provincial programs that promote a comprehensive approach to environmental management through Environmental Farm Plans (EFPs). Provincial scans will identify areas in which environmental issues exist. Included in this scan of on-farm environmental risks will be an assessment of what strategies can mitigate the risks. Where warranted, farms would develop and implement specific plans.

Taking prompt action to identify and address on-farm environmental concerns will help protect and preserve the environment for Canadians now and for the future.

EFPs will enable producers to identify environmental risks and undertake appropriate corrective action. Over the course of the APF and beginning in 2003-2004, this program will help farmers identify and manage high-risk areas using information such as watershed plans, survey data and Geographic Information Systems (GIS).

The Department will be able to measure its success by setting targets. For example, in the 2003-2004 fiscal year, initial provincial scans will be conducted that cover all farms and provide a preliminary assessment of risks to air, water, soil and biodiversity. By 2008, our goal is for 75 to 100 percent of high-risk farms to have plans. AAFC will partner with the provinces, territories and third parties to deliver on this activity area, putting in place a “single window” of government services in the area of environmental programming.

Taking prompt action to identify and address on-farm environmental concerns will help protect and preserve the environment for Canadians now and for the future. Canada’s reputation as a world leader in environmentally responsible food production can be demonstrated via EFPs, and the desirability of its products will grow.

BETTER AGRICULTURAL LAND MANAGEMENT

Land is the agricultural industry’s greatest asset. How we use and protect our land is a key factor to the sector’s success.

Within the APF, AAFC will encourage the best use of agricultural land to achieve sustainable economic and environmental returns by initiating its Greencover Program in 2003.

Between 2003 and 2008, some environmentally sensitive land is to be converted to permanent cover, and riverbank areas will be enhanced and shelterbelts planted. The program is to be delivered with the provinces, territories, municipalities and third parties.

To support land-use management decision-making, AAFC will provide an integrated federal geographic information network by creating the National Land and Water Information Service (NLWIS).

This network will be established by producing an inventory of existing databases, designing the program and identifying partners. Between 2005 and 2008, a system will be built with the help of provincial and territorial governments by linking databases and developing tools and applications that make use of the information. The result will be a service available for administering and distributing interpretive information products to those directly managing land.

The Department will improve the capacity of producers to deal with limited water supplies by implementing the National Water Supply Expansion Program (NWSEP).

Working with other federal departments that have responsibilities for natural resources, new areas of common concern will be identified and studied.

ENHANCING AND PROTECTING THE WATER SUPPLY

If land is agriculture's primary physical asset, then water is its lifeblood. The Department will improve the capacity of producers to deal with limited water supplies by implementing the National Water Supply Expansion Program (NWSEP) between 2003 and 2006. Following a strategic water study and a review of the program objectives by 2003, NWSEP will provide financial assistance for the development of solutions for high-priority water supply issues. This approach will increase the economic potential of rural areas for long-term growth and reduce the risk of future water shortages. AAFC will team with the provinces, territories, municipalities and third parties, such as watershed groups, to fund and deliver NWSEP.

This focus on better management of this vital and sometimes scarce resource contributes directly to improving the economic viability and success of the sector. The work towards understanding the effects of agricultural activity on water quality is key to stewardship of the environment and our responsibility to the urban and rural communities in which we live and work. Solutions will be sought for strategic investments in agricultural water supplies.

GAINING A BETTER UNDERSTANDING OF AGRICULTURAL IMPACTS

Improving our knowledge and understanding of the agriculture-environment relationship is crucial to ensuring the long-term sustainability of farming operations. In 2003-2004, the Department will work to increase our understanding of the impacts of nutrients, pathogens and pesticides on water, air and soil quality and on biodiversity. To concentrate our research efforts on APF priorities, the department is aligning its research into the areas of soil, water, air, biodiversity, nutrients and Integrated Pest Management (IPM). As well, technologies and farming systems will be evaluated to assess the potential to improve on-farm environmental performance. Working with other federal departments that have responsibilities for natural resources (Fisheries and Oceans Canada, Natural Resources Canada, Environment Canada and Health Canada), new areas of common concern will be identified and studied.

BETTER PEST MANAGEMENT TO IMPROVE COMPETITIVENESS

Competitiveness of the sector can be improved by ensuring our farmers have equal access to the best pest management technology available to their competitors. Research will help identify, develop and implement broad risk reduction strategies, including pest control approaches based on crop profiles. Using the best technology available means reducing the impact of farming on the environment, improving yields and lowering overall costs.

MEASURING AND REPORTING PERFORMANCE

Better reporting on environmental sustainability efforts will help identify where progress is being made and where improvement is needed. With better information, farmers can make sounder management decisions.

Beginning in 2005, AAFC will measure its performance, and on a regular basis report results to Canadians, on the progress of producers in contributing to the health of the environment. Our approach will involve measuring performance consistent with national standards by updating and further refining Agri-Environmental Indicators.

BENEFITS FOR CANADIANS

Rural and urban Canadians alike have a stake in protecting and preserving the environment, now and for future generations. To this end, Canadians expect all sectors of our economy, including agriculture and agri-food, to act in an environmentally sustainable manner. Our producers are aware of their responsibility for environmental stewardship and are taking steps to protect the environment.

Activities such as enhancing the ability of farmers to manage water shortages, improving the availability of minor-use reduced-risk pesticides and pest management strategies, and providing an integrated departmental geographic information network will be a catalyst to economic benefits to both the farm and non-farm populations.

Some of the Department's environmental efforts — such as identifying risks and addressing on-farm environmental concerns, increasing understanding of agriculture-environment interaction, and assessing the microbiological impact of agricultural activities on water for drinking and recreational use — will contribute to a healthier environment for all Canadians.

Environmentally sound
production methods
translate into benefits for
producers and consumers.

Environmentally sound production methods translate into benefits for producers and consumers. In five years, our goal is to have comprehensive national agriculture programs integrated with other federal environmental priorities; national standards for the environment; new tools for producers that will support environmentally sound food production; environmental farm planning as part of ongoing farm operations; marketplace recognition for environmentally responsible food production; and consumer access to quality food produced according to the highest environmental performance standards.

Innovation for Growth

INTRODUCTION

In the knowledge economy, what we create with knowledge — how we innovate — is critical to our success. For the agriculture and agri-food sector, new products, new uses for existing products, new methods of production and new methods of management hold the potential for increasing the profitability of the industry. The APF is designed to be a catalyst for promoting technological change and fostering an environment in which innovators will thrive, wherever they are in the agriculture and agri-food value chain.

As their businesses expand, farmers are investing more time in administering financial and human resources and making sound long- and short-term management decisions. Re-tooling of farm operations in a quickly changing business climate entails making significant choices about getting access to capital and using it to best advantage.

With innovation comes change, and in this environment of change, there is a need to support transitions within the sector. To this end, the sectoral renewal component of the APF is designed to assist all farmers in evaluating their situations and options, and obtaining the skills and resources they need to respond to and profit from change. Through the APF, governments will work with industry to facilitate farmers' access to the capital, information and knowledge they need to make informed decisions about their operations. Renewal programs will work in conjunction with business risk management programs to meet changing market realities. All Canadian farmers — beginning, mid-career or those about to retire — will benefit from a multifaceted approach to renewal programming.

To take advantage of the opportunities in these various areas, our innovation for growth strategy is based on:

- capturing value-added opportunities in the high-potential area of bio-based products and processes;
- responding to increased consumer demand for environmental responsibility, food safety and quality through the adoption of sustainable production systems; and
- assisting farmers with change by facilitating access to capital, information and knowledge to make informed decisions about their operations.

All Canadian farmers — beginning, mid-career or those about to retire — will benefit from a multifaceted approach to renewal programming. 

OPERATING ENVIRONMENT

The agriculture and agri-food sector has always been profoundly affected by science and technology. Farm practices of today could hardly be imagined 50 years ago. Rapid advances in such fields as biology and chemistry, combined with the ever-increasing power of new information and communications technologies, have fueled significant growth in the bioeconomy.

New applications for agricultural commodities are being developed, such as nutraceuticals, sources of medicinal substances and renewable fuels. Taking advantage of these innovations could help to increase incomes through diversification of farm business; shift consumption from non-renewable to renewable resources; improve environmental practices; and enhance food safety and quality systems. So our innovation efforts come together around three themes. First, capturing value-added opportunities in bio-based products and processes. Second, responding to increased consumer demand for environmental responsibility, food safety and quality, and animal welfare through the adoption of sustainable production systems. And lastly, creating the right environment to advance innovation.

In this rapidly changing business climate, strategic planning and continuous learning are increasing in importance for farmers and for rural communities.

In this rapidly changing business climate, strategic planning and continuous learning are increasing in importance for farmers and for rural communities. Farmers know that using a wide variety of management skills and practices, lifelong learning and upgrading skills translate into better results for individual operations and indeed the entire sector. A producer and rural population that is knowledgeable and skilled at managing change and capturing opportunities provides the impetus for the ongoing renewal of the sector and their associated rural communities.

STRATEGIC RESPONSE

To foster innovation, the Strategic Development for Science and Innovation initiative (\$45 million over three years) will identify and target innovative science for direct business creation. Along with funds in other APF areas (food safety and quality, \$63.5 million; environment, \$63 million), this represents a total investment in science and innovation that amounts to \$166.5 million. Federal funding for sectoral renewal amounts to \$209 million over five years.

CAPTURING VALUE-ADDED OPPORTUNITIES IN BIO-BASED PRODUCTS AND PROCESSES

Given their potential for future growth, a key area of focus in innovation is bioproduct and bioprocess research.

The latest science developments present many opportunities for the sector, especially in new applications for agricultural commodities.

Partnerships promoting the use of renewable fuels have been established with many groups, including provincial and federal departments, universities, producer associations and city councils.

For innovation to occur, the conditions need to be right. Initiatives in this regard include:

- Development of a federal-provincial-territorial benchmark study and action plan by December 2003.
- A federal-provincial-territorial information base will be in place by July 2003 to help realize maximum returns on research investments throughout the value chain.
- A federal-provincial-territorial assessment of human resources and infrastructure which needs to determine how to commercialize the products of research faster, is expected by December 2003. The assessment will serve as a basis for an innovation climate investment strategy to be prepared by December 2004.

The latest science developments present many opportunities for the sector, especially in new applications for agricultural commodities. Some key areas of research include:

- renewable fuels,
- genomics,
- sustainable production systems, and
- animal welfare

Renewable Fuels

For example, the Department's biofuel program aims to identify and develop opportunities for converting agricultural biomass into sources of energy for Canada's transportation and industrial sectors.

The results of this initiative will contribute to Canada's ability to reduce greenhouse gases; provide markets for agricultural commodities; increase the sustainability of combustion-powered transportation; and furnish value-added opportunities for Canada's rural areas.

Genomics

Building on Canada's strength in plant breeding and plant biology provides another opportunity to bolster Canada's future position in agricultural production. For instance, AAFC's Canadian Crop Genomics Initiative aims to identify the structure and function of key crop genes, which will help develop Canadian crops for disease and insect resistance, tolerance to stresses such as cold and drought, and better yield and quality attributes.

SUSTAINABLE PRODUCTION SYSTEMS

The promise of science and innovation for Canadian agriculture can only be fulfilled if producers adopt the latest production and management techniques. To this end, a further important activity area is the development of sustainable production systems geared to address food safety and quality issues (in crops and livestock) and animal welfare considerations.

For crops, research on sustainable production areas can lead to lower production losses from biotic (pests and disease) and abiotic (environmental stress) factors. Specifically, there are research programs to bring about new crop varieties. These research efforts are aimed at increasing yields, improving product quality, and maintaining diversity in crop production. Making these changes will help address new market needs and reduce economic risk to producers of grains, oilseeds and field crops such as forages, potatoes, pulses and pasture/rangeland. They will also lower the environmental impact of these types of production and develop new production systems for crops.

Livestock production research within AAFC is centred on developing means of raising animals for food that maximize profitability and nutritional quality and final product food safety. Such approaches have the added benefits of reducing environmental risks and improving returns to producers. The research program contributes directly to consumer protection through initiatives such as those that seek to improve animal health and growth potential by finding a replacement for the non-therapeutic use of antibiotics.

Animal Welfare

Consumers' demands for products produced in an ethical manner have put the issue of animal welfare at the forefront of livestock industries. The aim of AAFC's animal welfare research is to improve this aspect of livestock production. Canadian producers have historically relied upon voluntary Codes of Practice. A key AAFC initiative in this area is the provision of research-based information to aid the development and adoption by industry of cost-effective standards.

KNOWLEDGE AND SKILLS TO MANAGE CHANGE AND CAPTURE OPPORTUNITIES — RENEWAL

Renewal initiatives will help producers access the management skills they need in today's market environment to pursue options to improve their bottom line.

As farming becomes increasingly knowledge-intensive and complex, farm management is also becoming more advanced. Helping producers raise their earning capacity will improve the performance of individual operations and indeed the whole primary sector.

Renewal initiatives will help producers access the management skills they need in today's market environment to pursue options to improve their bottom line. Federal programs will concentrate on five major areas: farm business advisory services, awareness, opportunities, skills development, and access to capital.

Farm Business Advisory Services

The goal for farm business services in 2003-2004 is to integrate and enhance the delivery and scope of advisory services. This will be done with a new national advisory service model that offers a menu of tools and services applicable to all farmers — along with complementary provincial services and private-sector consultants. These services include analysis of the current situation; assessment of future opportunities; business planning and feasibility assessment; and development of marketing, risk management, diversification, expansion or succession plans.

Awareness

There are two thrusts with respect to renewal awareness. One is to provide information that helps farmers make decisions about their business operations. The other is to establish and build awareness of renewal initiatives in the sector. Awareness will be achieved by making available benchmark and best practices information to support farmers' decision-making; enhancing awareness of farmer support services, mentoring, networking and peer support groups; and enlisting key messengers and influential groups to promote renewal initiatives.

Opportunities

Another aspect of renewal is improving the profitability of the sector by assisting farmers to capture opportunities for new income sources, on or off the farm. To this end, there will be activities aimed at strengthening networks to increase the effectiveness of technology transfer; identifying new approaches to help the sector improve innovation; examining the regulatory environment; and giving consideration to business arrangements, including cooperatives, which better allow income opportunities to be taken advantage of.

Skills Development

Taking advantage of opportunities to improve the bottom line or augment family income can often require learning new skills. The ultimate purpose is to enhance access to training and learning opportunities that will help farmers make choices about their future, enabling them to pursue income opportunities on and off the farm.

Beginning in 2004-2005, the skills initiative will facilitate — through the Sector Council process, research by training institutions or other means — the identification of the skills needed by farmers in each agriculture sector at this time and into the future. Working with producers, we will identify the most effective means by which these skills are transmitted to and among farmers. Also, the skills initiative will develop innovative, nationally coordinated curriculum development and delivery approaches and prototypes that will facilitate addressing the curriculum and delivery needs identified in the above-mentioned process. Finally, the skills initiative will assess and monitor the

supply of trainers, training institutions and consultants available to deliver APF curriculum and consulting services, and provide strategic advice to governments and institutions on gaps and possible responses.

Additionally, in 2003-2004, an Agricultural Enterprise Program will be designed to integrate with advisory services and provide support to farm operators and their spouses for attending courses to develop skills and career counselling, training and living allowances to farmers seeking training.

Access to Capital

The final component of renewal, access to capital, has the aim of increasing private-sector investment and improving farmers' probability of obtaining debt and/or equity financing for proposed farm and other agri-business projects. This involves enhancing access to and awareness of services that assist farmers in securing financing. Specifically, advisory services will provide and support business planning for farmers and assist them in identifying potential sources of capital; the *Farm Improvement and Marketing Cooperatives Loans Act* program is being reviewed to determine ways that would better serve the industry, including whether loan guarantees should be provided to beginning farmers; and Farm Credit Canada will offer equity capital directly and in partnership with other equity providers.

BENEFITS FOR CANADIANS

Work under innovation and renewal will have substantial benefits for urban and rural Canadians since these efforts will facilitate the development and adoption of new technology and practices. Adoption of best management practices by producers will ultimately translate into increased profitability through reducing costs and expansion into, and development of, new markets.

Research and development activities will play essential roles in garnering new knowledge for the agriculture and agri-food sector and in accelerating advances in science and technology, which in the end will benefit Canadians through increased competitiveness, exports and wealth. Innovation in biofuels will not only reduce net greenhouse gas emissions, helping Canada meet its Kyoto targets, but it can also help users reduce operating costs and expand the market for the agricultural raw material. For example, biodiesel increases engine life and fuel efficiency.

The initiatives to ensure renewal of the sector are intended to provide a solid foundation from which producers can pursue increased profitability and family income.

Through innovation and renewal, we will assist the sector to produce and market products that stand above the competition in the minds of consumers. The result will be increased jobs, and investment and income opportunities for farm families, rural communities and Canadians as a whole.

Through innovation and renewal, we will assist the sector to produce and market products that stand above the competition in the minds of consumers.

HORIZONTAL INITIATIVES AND KEY GOVERNMENT THEMES

Horizontal Initiatives and Key Government Themes represent a better way of achieving results for Canadians in the 21st century.

Built on a framework of multi-departmental coordination and cooperation, these initiatives have federal government departments and agencies working together to deliver policies, programs and services in a timely and efficient manner. They are models of partnerships that are key to success in our global knowledge-based economy. The horizontal initiatives and key government themes that the Department is involved in include:

- Canadian Rural Partnership
- Co-operatives Secretariat
- Sustainable Development

CANADIAN RURAL PARTNERSHIP

INTRODUCTION

Rural Canada makes a valuable contribution to Canada's economy. Approximately one third of our population lives in rural and remote communities, which comprise 95 percent of our territory. Rural and remote Canada is characterized by a natural-resource economy that generates almost 15 percent of Canada's Gross Domestic Product and 40 percent of our exports. Canadians also benefit from the tourism, amenities and natural attractions available in rural settings. As a vital part of our national heritage, a strong rural reality reinforces social cohesion.

The Government of Canada has mandated the Rural Secretariat of Agriculture and Agri-Food Canada to lead a national, coordinated, cross-government capacity — the Canadian Rural Partnership — to address rural issues.

The Canadian Rural Partnership responds to the challenges and issues of rural Canada through partnership initiatives among federal departments and agencies, other levels of government and rural stakeholders. The Partnership, including Rural Teams in each province and territory, coordinates the Government's activities, enhances understanding of local challenges, and engages partners in setting priorities locally. National meetings of the Rural Teams are held on a regular basis.

Through the Canadian Rural Partnership, the Government aims to integrate its economic, social, environmental and cultural policies so that rural Canadians can contribute to and benefit from Canada's prosperity and quality of life.

Based on this coordinated, cross-government approach, the full range of federal policies, programs and services becomes the suite of tools to respond to the concerns of rural Canadians.



OPERATING ENVIRONMENT

Rural Canadians face unique circumstances that include distance from urban markets, geography, low population density, and reliance on primary sector industries vulnerable to sharp, cyclical downturns. While there are indications of a strengthening of the rural economy, significant challenges remain. Rural employment is growing slower than in urban Canada, and unemployment remains 1.7 percent higher. Diversification and value-added growth is occurring, but much of the rural economy is reliant on slower-growth, traditional, primary-sector industries. Access to education and health care and youth out-migration are significant challenges for rural and remote areas.

To understand and effectively address the challenges faced by rural and remote communities in Canada, a national dialogue with rural Canadians was launched in 1998. This dialogue includes national conferences, regional dialogues and consultations. More than 14,000 citizens have taken part in rural dialogues since 1998. Through the Dialogue, rural citizens have said that their challenges and priorities are:

- access to federal government programs and services;
- access to financial resources for rural business and community development;
- programs and services for rural and Aboriginal youth;
- rural community capacity-building, leadership and skills development;
- infrastructure for community development;
- skills and technology to participate in the knowledge-based economy;
- economic diversification in rural Canada through more targeted assistance;
- access to health care at reasonable cost;
- access to education at reasonable cost;
- strategic partnerships to facilitate rural community development; and
- promoting rural Canada as a place to live, work and raise a family.

STRATEGIC RESPONSE

The Canadian Rural Partnership is in its fifth year of operation. To achieve its objectives, the Partnership is organized into six components: Rural Dialogue; regional coordination and Rural Teams; rural research; policy development and Rural Lens; programming; and communications and outreach.

The Partnership is yielding positive results. The Rural Dialogue has rooted the Government of Canada's rural policy in the needs and priorities of rural Canadians. Research is creating a clearer picture of key rural issues and success factors. The Rural Lens is ensuring that national policy and program decisions accommodate rural realities. Horizontal rural policy coordination is strong, as recognized by the Auditor General in his December 2000 Report. Program funding is empowering communities to test local solutions to local challenges.

Key Government of Canada investments are addressing rural priorities, such as infrastructure, access to Government of Canada services, improved access to financial resources for rural business and community development, and testing ways to improve rural health care.

Communications and outreach activities are raising awareness of federal tools that rural and remote communities can access. Key Government of Canada investments are addressing rural priorities, such as infrastructure, access to Government services, improved access to financial resources for rural business and community development, and testing ways to improve rural health care.

National rural conferences — Magog, Quebec, in June 2000 and Charlottetown, Prince Edward Island, in April 2002 — with Rural Dialogues result in Action Plans outlining the activities to address the rural priorities. The reporting of the Government's activities in response to the Action Plans has become a part of the national conferences, fulfilling the Government's commitment of accountability to citizens. Following this established process, the Charlottetown Action Plan was produced in September 2002, listing activities to be undertaken over the next two years. The third National Rural Conference is scheduled for Red Deer, Alberta, in 2004.

Following upon the success of the Canadian Rural Partnership and the commitment made to the Agricultural Policy Framework, funding of \$55 million for the next five years was approved for the renewal and strengthening of the Partnership. In addition, \$5 million over five years was approved for rural community capacity-building. Several key initiatives will be undertaken over the next years in creating and supporting rural development in response to rural priorities.

Rural Youth — building for the future

In the coming year, emphasis will be placed on engaging rural youth in community development through a National Rural Youth Conference to be held in Orillia, Ontario, May 2-4, 2003, and development of a National Rural Youth Network. The Conference will bring together 100 young Canadians living in rural, remote and northern regions to discuss the issues of importance to them.

The Conference will illustrate how they can make a difference in their communities and provide them with the knowledge and skills they need to increase their leadership role in their communities.

Enhanced Rural Dialogue

A focus will also be placed on enhancing the dialogue between urban and rural citizens on common issues and objectives, and potential approaches to the challenges they face — all towards furthering the understanding of improving the quality of life for citizens throughout Canada.

Over the past year, an Advisory Committee on Rural Issues was created, bringing together a range of rural development expertise from across rural Canada. The Committee provides the Secretary of State for Rural Development with innovative suggestions on policy and programming related to rural Canada and on ways to foster collaboration and consensus. The Committee will continue in 2003-2004 to provide valued advice in support of rural Canada.

Building upon the process begun in 2002-2003, the Canadian Rural Partnership will continue to engage the provincial and territorial interests in areas of common understanding, shared best practices and the development of common objectives towards an integrated National Rural Policy Framework.

Test and evaluate community capacity-building and rural development initiatives as change 'drivers'

There is a need to determine the extent to which community capacity-building can contribute to community adaptation and transition in response to global trends. With funding of \$5 million over five years, a new program for rural community capacity-building will identify and test models of community capacity-building. It will define the most effective approaches and establish national criteria for indicators to measure results. Selected models will be tested and the results measured and evaluated. Consideration will then be given to the best mechanism to expand the most effective models into broader applications.

A new program, Models for Rural Development Initiative, will support the development and adoption of long-term, sustainable rural development strategies and programs that will result in local solutions to local challenges. The program will identify, test and evaluate selected models that address rural development issues and challenges.

Application of the 'Rural Lens'

The continuation and enhancement of the Rural Lens applied to all Government of Canada policies, programs and services will ensure that rural concerns are considered and addressed.

A collaborative approach

Building upon the process begun in 2002-2003, the Canadian Rural Partnership will continue to engage the provincial and territorial interests in areas of common understanding, shared best practices and the development of common objectives towards an integrated National Rural Policy Framework.

This Framework is to guide activities and future initiatives as rural Canada diversifies to include a more knowledge-based economy and society.

Understanding rural Canada and information as knowledge

Underlying all this work is the ongoing comprehensive quantitative and qualitative research and analysis of the state of rural Canada. Research and analysis will focus on increasing the understanding of rural Canada in the four areas of innovation, skills and knowledge, health and environment, and infrastructure, and will continue on rural youth, health and information and communication technology.

Information is important in taking advantage of opportunities in rural Canada. A network of rural organizations for sharing information, building on strengths, and contributing to government policy development will continue to be promoted. Outreach and communications activities will continue to assist rural and remote communities in accessing the knowledge and information they need to develop sustainable communities.

Improved collaboration across and among governments and greater focus of policy and program development to address rural issues provide a solid framework for rural development.

Government of Canada objectives are to:

- raise awareness;
- enable policies, programs and legislation; and
- encourage the use of new co-operatives.

BENEFITS FOR CANADIANS

As stated in the 2002 Speech from the Throne, “competitive cities and healthy communities are vital to our individual and national well-being, and to Canada’s ability to attract and retain talent and investment.”

The capacity of the resource sector and surrounding rural and remote communities to take advantage of opportunities such as the “knowledge economy” is an important part of the rural economy. The provision of “tried and tested” models for community capacity-building and rural development will enhance the ability of rural and remote communities to manage transition successfully. Improved collaboration across and among governments and greater focus of policy and program development to address rural issues provide a solid framework for rural development. Enhancing communities’ ability to share information and promotion of rural network furthers these efforts.

CO-OPERATIVES SECRETARIAT

INTRODUCTION

Co-operatives are important to the Canadian economy, playing a key role in the retail banking, housing and service sectors, as well as the agriculture and agri-food sector. They are of importance to both urban and rural communities and provide essential services to hard-to-reach Canadians. There are approximately 10,000 co-operatives in Canada serving more than 10 million citizens.

Government of Canada objectives are to:

- raise awareness of the co-operative model and the role that co-operatives can play in both social and economic development;
- enable policies, programs and legislation that support co-operatives development to achieve federal policy objectives, and greater harmonization of efforts; and
- encourage the use of new co-operatives in the knowledge economy, community capacity-building and the provision of services for hard-to-reach Canadians, including rural and remote Canada.

OPERATING ENVIRONMENT

Canada is continually challenged to excel in productivity and innovation in order that citizens can maintain the quality of life that they currently enjoy in Canada. The challenge to be met, whether one talks of life sciences economy or competitiveness in international markets, is one of citizen involvement and sharing the benefits of these innovations throughout society. Co-operatives promote equity participation. They provide a vehicle where primary producers or others can share the risk and responsibility of undertaking ventures in new areas of the economy and share in the benefits of these undertakings.

Local leadership becomes critical as modern communities face a range of social and economic challenges. Many communities are affected by economic forces such as changing markets and the decline of certain resource-based industries. The co-operative model is one tool that communities can use to organize themselves to undertake projects in the interest of the total community and to adjust to new economic realities. Access and management of resources at the local level could be successfully achieved with the co-operative model.

Changing demographics, technological innovation and evolving retail habits are just some of the trends having an impact on provision of private and social services. The co-operative model is a tool that communities can use to address changing service needs.

STRATEGIC RESPONSE

Over the coming year, the Co-operatives Secretariat will work with these partners to expand the use of the co-operative model in Canada as a tool to build self-sufficient rural and urban communities.

The Co-operatives Secretariat plays a coordinating role to facilitate co-operative interaction with the Government of Canada by working with relevant federal departments and agencies, the co-op sector, provincial-territorial officials and others.

Over the coming year, the Co-operatives Secretariat will work with these partners to expand the use of the co-operative model in Canada as a tool to build self-sufficient rural and urban communities that provide for the social and economic needs of citizens by:

- building awareness of the potential of the co-operative model as a business structure and governance model;
- providing information and expert advice on co-operatives to all federal departments and agencies;
- supporting research and innovation activities that demonstrate the use and value of the co-operative model in the new economy and as a means to promote social cohesion; and
- building partnerships to optimize opportunities for co-operative development.

These activities will be facilitated by a new Co-operative Development Initiative. The Government approved funding of \$15 million over five years for this Initiative. Specifically, the Initiative will support three key activity areas: advisory services to build capacity of the co-operative sector to support co-operative development; innovations and research to expand use of the co-operative model; and building awareness of co-operatives' potential through community outreach and promotion of the co-operative model. A broad-based Steering Committee of representatives from the co-operative and community economic development sectors has been established to provide advice and guidance.

Special attention will be paid to using the co-operative model to face the challenges of rural economic development, Aboriginal community economic development, agriculture value-added and health care delivery. In addition, program funds will assist with co-operative solutions to community environmental challenges and enhancing the integration of immigrants.

BENEFITS FOR CANADIANS

While sustaining Canada's communities, co-operative development facilitates citizen connectedness by enabling people to work together to provide essential community services. Individuals develop transferrable skills that enhance their employability and enable them to better contribute to community life. Co-operatives have been accepted as tools to assist primary producers to market and share risk, create employment, enhance local leadership and investment, and fill service gaps.

Partnering with citizens to develop new co-operatives targeting emerging areas will create lasting economic and social benefits. Investing in co-operative capacity will improve citizen access to the co-operative model and encourage leadership renewal within the co-operative sector. New co-operative partnerships will be driven by citizens to meet needs not addressed by others.

SUSTAINABLE DEVELOPMENT STRATEGY

Sustainable development is a major policy goal of the Government of Canada. It involves achieving an optimal balance across social, economic and environmental goals in order to secure a high quality of life for present and future generations of Canadians. Agriculture and Agri-Food Canada's first Sustainable Development Strategy helped the Department formalize the process of integrating environmental thinking into policies, programs and operations, and in establishing an approach for monitoring and reporting on sustainable development activities.

The Department's second Sustainable Development Strategy (SDS II) was released in the spring of 2001. In Fiscal Year 2003-2004, the Department will continue implementing this strategy. Actions are being implemented to support four strategic outcomes: environmental sustainability of natural resources; a prosperous and viable sector; sustainable rural communities; and integration of sustainable development into departmental policies, programs and operations.

SDS II contributed to the development of the new Agricultural Policy Framework (APF) by establishing clear and measurable indicators to track the success of its implementation as well as assisting with the identification of environmental targets. During fiscal year 2003-2004, the third Sustainable Development Strategy (SDS III) will be developed. SDS III will further integrate the objectives of sustainable development with the goals and targets of the APF, resulting in a convergence of the SDS into all aspects of the Department's activities.

SDS III will further integrate the objectives of sustainable development with the goals and targets of the APF, resulting in a convergence of the SDS into all aspects of the department's activities.

SUPPLEMENTARY INFORMATION



The Canadian Pari-Mutuel Agency and the National Farm Products Council are two agencies within the Agriculture and Agri-Food portfolio that report to Parliament through Agriculture and Agri-Food Canada.

Canadian Pari-Mutuel Agency

INTRODUCTION

The Canadian Pari-Mutuel Agency (CPMA) is a Special Operating Agency within the Agriculture and Agri-Food portfolio that reports to Parliament through the Department of AAFC.

The CPMA regulates and supervises pari-mutuel betting on horse racing at racetracks across Canada to protect the betting public against fraudulent practices, thereby assisting in promoting a viable horse racing industry.

OPERATING ENVIRONMENT

The CPMA has an excellent reputation and record of performance, and it is recognized in all jurisdictions as ensuring that Canada has a well-regulated horse racing industry. The Canadian system enjoys a high degree of confidence from the betting public and industry, and is perceived to be fair and above board.

In 2001-2002, the gross betting revenue was approximately \$1.8 billion, with the greatest part of every dollar bet through pari-mutuel wagering being returned to the winning bettors.

STRATEGIC RESPONSE

In 2003-2004, the CPMA plans on spending approximately \$15.3 million to achieve Strategic Outcomes and Key Results. Planned spending requirements for fiscal years 2003-2004 to 2005-2006 are summarized in the following table.

PLANNED SPENDING: CANADIAN PARI-MUTUEL AGENCY

(\$ MILLIONS)	FORECAST SPENDING 2002-2003	PLANNED SPENDING 2003-2004	PLANNED SPENDING 2004-2005	PLANNED SPENDING 2005-2006
Revenues/Expenditures ¹	14.0	15.6	15.3	15.3

1. Revenues and Expenditures are dictated by collecting a levy of 8/10th of 1 cent on every \$1.00 bet in Canada. All the revenue generated is from the betting public and there is no cost to the Canadian taxpayer.

CPMA is a full cost recovered organization deriving its funds from a levy, currently set at 0.8%, for every dollar bet in Canada. There is no cost to the Canadian taxpayer.

The CPMA's strategic plans are focussed on maintaining the highest standards for pari-mutuel wagering and surveillance. The CPMA's mandate is derived from the Pari-Mutuel Betting Supervision Regulations pursuant to Section 204 of the *Criminal Code*.

The CPMA focuses its work in four priority areas:

- Effective Regulatory Framework
- Effective and Efficient Enforcement Operations
- Effective Communications
- Effective Corporate Management

Effective Regulatory Framework: The Agency will amend its Pari-Mutuel Betting Supervision Regulations to bring them up to date with current wagering practices and to address advancements in technology.

Effective and Efficient Enforcement Operations: The Agency will continue to maintain and enforce national surveillance standards that will protect the betting public by providing on-site supervision of all live race days and hosted pools at Canadian racetracks; testing horses for the presence of performance-affecting drugs; providing photo finish and video race surveillance; and conducting research. The CPMA will also continue with its implementation of a real-time automated/monitoring system for pari-mutuel betting activities.

Effective Communications: The Agency will continue communications and consultations with the provincial racing commissions and the horse racing industry on matters of shared interests. A CPMA-Industry Workshop is scheduled for November 2003. An Agency Web site will be maintained.

Effective Corporate Management: The Agency will continue to monitor and adjust expenditures to meet fiscal pressures and new initiatives and to ensure the continued high level of program delivery, within the parameters of the Revolving Fund.

BENEFITS FOR CANADIANS

The work of the Canadian Pari-Mutuel Agency benefits the Canadian betting public by providing them with confidence in the management of the horse-racing sector as regards betting activities.

www.cpma-acpm-gc.ca



National Farm Products Council

INTRODUCTION

The National Farm Products Council was established in 1972 by the *Farm Products Agencies Act*. The Council reports directly to Parliament through the Minister of Agriculture and Agri-Food. The Council's role, pursuant to Part II of the Act, is to oversee the national orderly marketing systems for poultry and eggs and, pursuant to Part III of the Act, to monitor the activities of the Canadian Beef Cattle Research, Market Development and Promotion Agency.

The Council currently consists of one full-time Chairperson and seven part-time members appointed from across Canada by the Governor-in-Council.

OPERATING ENVIRONMENT

The Council, in carrying out its duties, consults on a continuing basis with the governments of all provinces and territories having an interest in the establishment or the exercise of the powers of any one or more agencies under the Act.

In addition to its legislative responsibility to review agency operations, orders and regulations, make inquiries into complaints against agency decisions, and conduct inquiries into the merits of establishing new agencies, the Council promotes the strength and enhances the competitiveness of the sectors it oversees.

Services provided without charge include:

- accommodation provided by Public Works and Government Services Canada; and
- corporate services such as financial systems, security, information technology, human resource advice and services provided by Agriculture and Agri-Food Canada.

These amounts are not reflected in the program costs.

PLANNED SPENDING: NATIONAL FARM PRODUCTS COUNCIL

(\$ MILLIONS)	FORECAST SPENDING 2002-2003 ¹	PLANNED SPENDING 2003-2004	PLANNED SPENDING 2004-2005	PLANNED SPENDING 2005-2006
Total Main Estimates ²	2,581	2,581	2,581	2,581
Full-Time Equivalents (FTE)	17	17	17	17

Notes:

1. Reflects the best forecast of total planned spending to the end of the fiscal year.
2. These amounts are included in the Votes of the Department of Agriculture and Agri-Food and include \$200,000 in grants and contributions and \$226,000 in employee benefits.

STRATEGIC RESPONSE

In the next three years, the priorities of the Council are to:

- ensure that marketing and promotion-research agencies operating under the *Farm Products Agencies Act* work in the balanced interest of all stakeholders;
- improve the strength, competitiveness, market-responsiveness and profitability of Canadian agriculture and the agri-food industry; and
- ensure the efficient, transparent and responsible management of the Council's operations.

MARKETING AND PROMOTION RESEARCH AGENCIES

The National Farm Products Council will play a major role in the renewal of the federal-provincial/territorial agreements that provide the legislative framework for the Canadian Egg Marketing Agency, the Canadian Turkey Marketing Agency and the Canadian Broiler Hatching Egg Marketing Agency.

The Council will update the legislative and regulatory framework that enables the Council and its supervised agencies to respond to new opportunities, including promotion and research responsibilities. To achieve this, the Council will consult with interested parties, including the national marketing agencies, about how the *Farm Products Agencies Act* should evolve in step with their needs. The review will also examine how to streamline the procedure for establishing promotion and research agencies.

PROMOTE STRENGTH, COMPETITIVENESS, MARKET RESPONSIVENESS AND PROFITABILITY

The National Farm Products Council will work with industry and government to develop a common database on production, consumption and international trade of poultry and eggs to ensure that all members of the supply management systems are working from a common base of knowledge.

The Council will develop opportunities for discussions with poultry and egg industry leaders about current trends in the grocery and food service industries and their possible implications.

The Council will work to improve market knowledge among poultry and egg industry participants and government, including a greater awareness of export opportunities. The Council will support the industry-led development of an export strategy and will also develop opportunities for discussions with poultry and egg industry leaders about innovation and adaptation.

The Council will work to create greater awareness among farm product groups about their opportunity to create promotion-research agencies by identifying potential candidate groups and seeking discussions with them about their degree of interest.

IMPROVED EFFECTIVENESS AND INTEGRITY OF ADMINISTRATION

The Council will improve the effectiveness and integrity of its own administration, in step with the requirements of modern comptrollership.

It will also improve internal accountability and communication by ensuring that its internal operations meet the standards expected of the modern public service.

The Council will improve its capacity to work with agencies, farm product groups and other stakeholders in Canadian agriculture.

BENEFITS TO CANADIANS

The National Farm Products Council provides a valuable service to Canadians. It holds the legislative responsibility to review agency operations, orders and regulations, make inquiries into complaints against agency decisions, and conduct inquiries into the merits of establishing new agencies. It also undertakes discretionary activities that aim to promote the strength and enhance the competitiveness of the sectors it oversees.

ORGANIZATION

Our Management Framework

AAFC is organized according to the departmental priorities of Business Risk Management, Food Safety and Quality, International Issues, Environment, and Innovation and Renewal.

LEADERSHIP FOR AGRICULTURAL POLICY FRAMEWORK

BUSINESS RISK MANAGEMENT POLICY PLANNING	BRUCE DEACON, DOUGLAS HEDLEY, DONNA MITCHELL, TOM RICHARDSON
FOOD SAFETY AND QUALITY INTERNATIONAL ISSUES	MARK COREY, GORDON DORRELL, TOM RICHARDSON
ENVIRONMENT	MARK COREY, GORDON DORRELL, PAUL SCHUBERT, CARL NEGGERS
PROGRAM DELIVERY	BRUCE DEACON, DOUGLAS HEDLEY, ERNIE WALLACE
INNOVATION AND RENEWAL	MARK COREY, GORDON DORRELL, TOM RICHARDSON, PAUL SCHUBERT
INFORMATION SYSTEMS	MARK COREY, DONNA MITCHELL, ERNIE WALLACE
CORPORATE MANAGEMENT (HUMAN RESOURCES, FINANCE AND ASSET MANAGEMENT)	BRUCE DEACON, GORDON DORRELL, SHARON MCKAY, DONNA MITCHELL, ERNIE WALLACE
COMMUNICATIONS AND CONSULTATIONS	DOUGLAS HEDLEY, TOM RICHARDSON, PAUL SCHUBERT

Departmental Planned Spending

In fiscal year 2003-2004, the Department will spend \$2,734.5 million to achieve our three Strategic Outcomes. Detailed financial tables are included in Annex 1 of this report.

The majority of the Department's 2003-2004 resources have been allocated to Security of the Food System (74 percent), followed by Innovation for Growth (16 percent) and Health of the Environment (10 percent). More than 88 percent of the resources for the Security of the Food System Strategic Outcome are transfer payments to other parties, including producers and provinces. The majority of the resources for Innovation for Growth and Health of the Environment are in operating costs (71 percent and 65 percent, respectively), reflecting the more labour-intensive nature of these strategic outcomes.

DEPARTMENTAL PLANNED SPENDING

(\$ MILLIONS)	FORECAST SPENDING 2002-2003*	PLANNED SPENDING 2003-2004	PLANNED SPENDING 2004-2005	PLANNED SPENDING 2005-2006
Security of the Food System	2,144.6	2,016.6	1,375.9	1,361.1
Health of the Environment	204.1	286.9	325.9	308.2
Innovation for Growth	429.6	431.0	407.7	407.4
Gross Planned Spending	2,778.3	2,734.5	2,109.5	2,076.7
Less: Respendable Revenue	39.0	38.7	38.7	38.7
Net Planned Spending	2,739.3	2,695.8	2,070.8	2,038.1
Less: Adjustments**	911.5	1,387.1	800.1	798.6
Total Main Estimates	1,827.8	1,308.7	1,270.7	1,239.5
Less: Non-Respendable Revenue	157.9	36.1	36.2	36.2
Plus: Cost of Services received without charge***	34.1	37.6	38.8	39.0
Plus: Adjustments**	911.5	1,387.1	800.1	798.6
Net cost of Program	2,615.4	2,697.3	2,073.4	2,040.8
Full-Time Equivalents	5,632	6,146	6,449	6,502

Net Planned spending over the next three years is shown as declining. The main reason for this is the conclusion in 2003-2004 of the two-year, \$600.0 million per year NISA Bridge funding, which was intended to be a short-term measure. Reference levels may be increased through future Annual Reference Level Updates (ARLUs) or Supplementary Estimates for any additional approved funding.

* Reflects the best forecast to the end of the fiscal year.

** Adjustments for 2002-2003 reflect Supplementary Estimates (A), (B) and other adjustments. Adjustments for 2003-2004 to 2005-2006 reflect initiatives (including APF/Bridge) for which the Department can seek up to the amount shown through Supplementary Estimates, once approved.

*** Cost of services provided by other departments include accommodation provided by Public Works and Government Services Canada (PWGSC), contributions covering employees' share of employees' insurance premiums paid by Treasury Board Secretariat (TBS), Workers' Compensation coverage provided by Human Resources Development Canada (HRDC), and salary and associated expenditures of legal services provided by Justice Canada.

Note: Planned spending reflects funds currently approved in the government fiscal plan.

PLANNED SPENDING AND FULL TIME EQUIVALENTS

SECURITY OF THE FOOD SYSTEM							
FORECAST SPENDING 2002-2003*		PLANNED SPENDING 2003-2004		PLANNED SPENDING 2004-2005		PLANNED SPENDING 2005-2006	
\$ millions	FTE	\$ millions	FTE	\$ millions	FTE	\$ millions	FTE
2,144.6	1,335	2,016.6	1,580	1,375.9	1,910	1,361.1	1,953

* Reflects the best forecast of total planned spending to the end of the fiscal year including adjustments totalling \$839.8 million in Supplementary Estimates. Note: Planned spending for 2003-2004 to 2005-2006 includes APF / Bridge resources of \$1,204.9 million (246 FTEs); \$591.9 million (576 FTEs); and \$595.7 million (618 FTEs) respectively approved in the fiscal framework but yet to be drawn down into the Department's reference levels.

HEALTH OF THE ENVIRONMENT							
FORECAST SPENDING 2002-2003*		PLANNED SPENDING 2003-2004		PLANNED SPENDING 2004-2005		PLANNED SPENDING 2005-2006	
\$ millions	FTE	\$ millions	FTE	\$ millions	FTE	\$ millions	FTE
204.1	1,525	286.9	1,616	325.9	1,615	308.2	1,616

* Reflects the best forecast of total planned spending to the end of the fiscal year including adjustments totalling \$31.6 million in Supplementary Estimates. Note: Planned spending for 2003-2004 to 2005-2006 includes APF / Bridge resources of \$108.9 million (91 FTEs); \$148.9 million (90 FTEs); and \$133.2 million (91 FTEs) respectively approved in the fiscal framework but yet to be drawn down into the Department's reference levels.

INNOVATION FOR GROWTH							
FORECAST SPENDING 2002-2003*		PLANNED SPENDING 2003-2004		PLANNED SPENDING 2004-2005		PLANNED SPENDING 2005-2006	
\$ millions	FTE	\$ millions	FTE	\$ millions	FTE	\$ millions	FTE
429.6	2,772	431.0	2,950	407.7	2,924	407.4	2,933

* Reflects the best forecast of total planned spending to the end of the fiscal year including adjustments totalling \$40.1 million in Supplementary Estimates. Note: Planned spending for 2003-2004 to 2005-2006 includes APF / Bridge resources of \$73.0 million (179 FTEs); \$59.2 million (152 FTEs); and \$63.6 million (161 FTEs) respectively approved in the fiscal framework but yet to be drawn down into the Department's reference levels.

ANNEX I

FINANCIAL INFORMATION

TABLE 1

SUMMARY OF CAPITAL SPENDING BY STRATEGIC OUTCOME*

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DETAILS ON MAJOR CAPITAL PROJECT SPENDING

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CANADIAN PARI-MUTUEL REVOLVING FUND — STATEMENT OF OPERATIONS

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CANADIAN PARI-MUTUEL REVOLVING FUND — STATEMENT OF CASH FLOWS

TABLE 9

CANADIAN PARI-MUTUEL REVOLVING FUND — PROJECTED USE OF AUTHORITY

NOTE: In the following tables, **forecast spending** reflects the best forecast of authorized funding to the end of the fiscal year. **Planned spending** reflects funds already brought into the department's reference levels through the Annual Reference Level Update exercise, as well as adjustments in future years for funding approved in the government fiscal plan, but yet to be brought into the Department's reference levels. The bulk of these adjustments are related to APF/Bridge and, given the demand-driven nature of these programs, resources may be reprofiled and strategic outcome allocations refined in order to achieve the desired results of the Agricultural Policy Framework.

The figures have been rounded to the nearest millions of dollars. Figures that cannot be listed in millions of dollars are shown as 0.0.

* The information in the financial tables in this Annex is presented by Strategic Outcome, where applicable. Agriculture and Agri-Food Canada's Strategic Outcomes are equivalent to its' Business Lines.

Note: In the print version of this report, Table 3: Summary of Transfer Payments, Total Contributions for 2002-2003 is incorrect. The correct figure is 1,966.7.

TABLE 1: SUMMARY OF CAPITAL SPENDING BY STRATEGIC OUTCOME

(\$ MILLIONS)	FORECAST SPENDING 2002-2003	PLANNED SPENDING 2003-2004	PLANNED SPENDING 2004-2005	PLANNED SPENDING 2005-2006
Security of the Food System	0.3	23.4	23.4	23.3
Health of the Environment	14.4	5.9	6.9	4.0
Innovation for Growth	32.1	32.3	32.3	28.3
Total	46.8	61.6	62.6	55.6

Note: Planned capital spending for 2003-2004 to 2005-2006 includes APF/Bridge resources of \$24.3 million, \$26.3 million and \$25.3 million, respectively, approved in the fiscal framework but yet to be drawn down into the Department's reference levels.

TABLE 2: DETAILS ON MAJOR CAPITAL PROJECT SPENDING

(\$ MILLIONS)	CURRENT ESTIMATED TOTAL COST*	SPENDING TO MARCH 31, 2003**	PLANNED SPENDING 2003-2004	PLANNED SPENDING 2004-2005	PLANNED SPENDING 2005-2006	FUTURE YEAR SPENDING REQUIREMENT
Projects over \$5 million						
Security of the Food System	–	–	–	–	–	–
Total Security of the Food System	–	–	–	–	–	–
Health of the Environment						
Saskatchewan (Swift Current), Duncairn Dam (S)	10.0	0.6	6.0	3.4	–	–
Total Health of the Environment	10.0	0.6	6.0	3.4	0.0	0.0
Innovation for Growth						
P.E.I (Charlottetown), Consolidation operations (S)	6.9	6.9	–	–	–	–
N.B. (Fredericton), Facility retrofit (S)	21.7	21.0	0.7	–	–	–
Quebec (St. Hyacinthe), Tech. Innovation Centre (S)	8.0	8.0	–	–	–	–
Manitoba (Winnipeg), Facility retrofit (PPA)	24.0	1.2	–	–	–	22.8
Alberta (Lethbridge), New multi-purpose facility (S) Phase I	29.9	29.1	0.8	–	–	–
Alberta (Lethbridge) Multi-purpose Phase II (EPA)	7.8	–	–	–	–	7.8
Total Innovation for Growth	98.3	66.2	1.5	–	–	30.6
Total Projects over \$5 million	108.3	66.8	7.5	3.4	–	30.6

* The Current Estimated Total Cost number includes both expenditures made in previous years and expenditures forecast for 2002-2003 and beyond.

** Forecast Spending to March 31, 2003, includes expenditures incurred in prior years.

(S) denotes a Substantive Estimate

(PPA) denotes Preliminary Project Approval

(EPA) denotes Effective Project Approval

TABLE 3: SUMMARY OF TRANSFER PAYMENTS

(\$ MILLIONS)	FORECAST SPENDING 2002-2003	PLANNED SPENDING 2003-2004	PLANNED SPENDING 2004-2005	PLANNED SPENDING 2005-2006
Grants				
Security of the Food System	118.5	5.5	5.5	5.5
Health of the Environment	10.3	10.3	10.3	10.3
Innovation for Growth	17.8	17.8	17.8	17.8
Total Grants	146.6	33.6	33.6	33.6
Contributions				
Security of the Food System	1,884.8	1,772.2	1,124.8	1,103.5
Health of the Environment	18.5	83.9	116.3	102.2
Innovation for Growth	63.5	73.6	61.7	61.8
Total Contributions	1,966.7	1,929.7	1,302.8	1,267.5
Total Grants and Contributions	2,113.3	1,963.3	1,336.4	1,301.2

Note: Planned spending for Transfer Payments for 2003-2004 to 2005-2006 includes APF/Bridge resources of \$1,179.9 million, \$588.6 million and \$571.9 million, respectively, approved in the fiscal framework but yet to be drawn down into the Department's reference levels.

TABLE 4: DETAILS ON TRANSFER PAYMENTS PROGRAMS

Grants and Contributions

Security of the Food System

Objective – To bring the decision-maker closer to citizens, a more cost-efficient government and the agricultural sector's desire for more direct involvement in funding decisions will be accomplished through the funding of industry-led initiatives.

Planned Results – An agriculture and agri-food sector that is able to manage financial, supply, market, health and environmental risks; to secure domestic and international marketplace for Canadian agricultural products; and to maintain a high level of consumer confidence in the quality, safety and production of Canadian food.

Health of the Environment

Objective – Provide relevant and accurate environmental information to foster open and informed dialogue, and to help all parties involved to make sound decisions through public investment to protect water, air, soil and biodiversity.

Planned Results – The provision of relevant and accurate environmental information to foster open and informed dialogue and to help citizens, government, farmers and the agri-food sector make sound decisions for today's and future generations; and to realize environmental benefits and reduce environmental risks by leading the development and implementation of economically sustainable best management practices, within a supportive business climate, for adoption by the agriculture and agri-food industry, government and the general public.

Innovation for Growth

Objective – Fostering innovation to make Canada the world leader in developing food and other related agricultural products and services; developing and promoting the adoption of new technologies and best practices; and using public-sector research infrastructure as a catalyst/incubator for private-sector innovation.

Planned Results – The development and adoption of new products, processes, technologies and services to increase our competitive edge by investing in an environment that encourages discovery and innovation; an entrepreneurial and highly skilled workforce; and a strong investment in the sector and in rural Canada; and diversified markets captured by Canadian products and services.

TABLE 5: SOURCES OF RESPONDABLE AND NON-RESPONDABLE REVENUE
Responsible Revenue

(\$ MILLIONS)	FORECAST REVENUE 2002-2003	PLANNED REVENUE 2003-2004	PLANNED REVENUE 2004-2005	PLANNED REVENUE 2005-2006
Security of the Food System				
Net Income Stabilization Account – Admin. fees	8.9	8.9	8.9	8.9
Canadian Pari-Mutuel Agency Revolving Fund	15.5	15.3	15.3	15.3
Total — Security of the Food System	24.4	24.2	24.2	24.2
Health of the Environment				
Community Pastures	14.5	14.5	14.5	14.5
Total — Health of the Environment	14.5	14.5	14.5	14.5
Innovation for Growth				
Canadian Pari-Mutuel Agency Revolving Fund	0.1	–	–	–
Total — Innovation for Growth	0.1	–	–	–
Total Responsible Revenue	39.0	38.7	38.7	38.7

Non-Responsible Revenue

(\$ MILLIONS)	FORECAST REVENUE 2002-2003	PLANNED REVENUE 2003-2004	PLANNED REVENUE 2004-2005	PLANNED REVENUE 2005-2006
Security of the Food System				
Refund of Previous Years' Expenditures*	127.0	4.6	4.6	4.6
Service and Service Fees	1.6	1.6	1.6	1.6
Privileges, Licences and Permits	1.3	1.3	1.3	1.3
Return on Investments**	0.6	0.7	0.7	0.7
Proceeds from Sales of Crown Assets	0.6	0.6	0.6	0.6
Other Non-Tax Revenues	2.0	2.0	2.0	2.0
Total — Security of the Food System	133.0	10.7	10.7	10.7
Health of the Environment				
Refund of Previous Years' Expenditures*	3.3	3.3	3.3	3.3
Service and Service Fees	0.3	0.3	0.3	0.3
Privileges, Licences and Permits	1.4	1.4	1.4	1.4
Return on Investments**	0.6	0.8	0.8	0.8
Proceeds from Sales of Crown Assets	1.6	1.6	1.6	1.6
Other Non-Tax Revenues	1.4	1.4	1.4	1.4
Total — Health of the Environment	8.8	8.9	9.0	9.0
Innovation for Growth				
Refund of Previous Years' Expenditures*	7.0	7.0	7.0	7.0
Service and Service Fees	0.2	0.2	0.2	0.2
Privileges, Licences and Permits	2.9	2.9	2.9	2.9
Return on Investments**	1.3	1.6	1.7	1.7
Proceeds from Sales of Crown Assets	1.6	1.6	1.6	1.6
Other Non-Tax Revenues	3.1	3.1	3.1	3.1
Total — Innovation for Growth	16.2	16.5	16.6	16.6
Total Non-Responsible Revenue	157.9	36.1	36.2	36.2
Total Responsible and Non-Responsible Revenue	196.9	74.8	74.9	74.9

* Refund of Previous Years' Expenditures for the Security of the Food System strategic outcome for 2002-2003 includes amounts recovered from Provinces for payments made by the Department, and collections of overpayments under the Agricultural Income Disaster Assistance (AIDA) program and the Canadian Farm Income Program (CFIP). Additional amounts are expected to be recovered through to 2004-2005 but cannot be estimated at this time.

** Return on Investments includes interest on loans for the Canadian Dairy Commission and Construction of Multi-Purpose Exhibition Buildings. It does not include the loan to the Farm Credit Corporation, as this loan is no longer outstanding.

TABLE 6: NET COST OF PROGRAM FOR THE ESTIMATES YEAR (2003-2004)

(\$ MILLIONS)	TOTAL
Net Planned Spending (Total Main Estimates plus Adjustments)	2,695.8
<i>Plus: Services Received without Charge</i>	
Accommodation provided by PWGSC	10.4
Contributions covering employees' share of employees insurance premiums and expenditures paid by TBS	23.8
Workers' Compensation coverage provided by HRDC	2.1
Salary and associated expenditures of legal services provided by Justice Canada	1.3
	37.6
<i>Less: Non-Respendable Revenue</i>	36.1
2003-2004 Net cost of Program	2,697.3

TABLE 7: CANADIAN PARI-MUTUEL REVOLVING FUND — STATEMENT OF OPERATIONS

(\$ MILLIONS)	FORECAST 2002-2003	PLANNED 2003-2004	PLANNED 2004-2005	PLANNED 2005-2006
Respendable Revenue	15.6	15.3	15.3	15.3
Expenses				
Operating:				
Salaries and employee benefits	4.9	5.0	5.0	5.0
Depreciation	0.1	0.1	0.1	0.1
Administrative and support services	9.8	9.8	9.8	9.8
Utilities, materials and supplies	0.8	0.4	0.4	0.4
Total Operating	15.6	15.3	15.3	15.3
Surplus (Deficit)	-	-	-	-

TABLE 8: CANADIAN PARI-MUTUEL REVOLVING FUND — STATEMENT OF CASH FLOWS

(\$ MILLIONS)	FORECAST 2002-2003	PLANNED 2003-2004	PLANNED 2004-2005	PLANNED 2005-2006
Surplus (Deficit)	-	-	-	-
Add non-cash items:				
Depreciation/amortization	0.1	0.1	0.1	0.1
Investing activities:				
Acquisition of depreciable assets	(0.1)	(0.1)	(0.1)	(0.1)
Cash Surplus (requirement)	-	-	-	-

TABLE 9: CANADIAN PARI-MUTUEL REVOLVING FUND — PROJECTED USE OF AUTHORITY

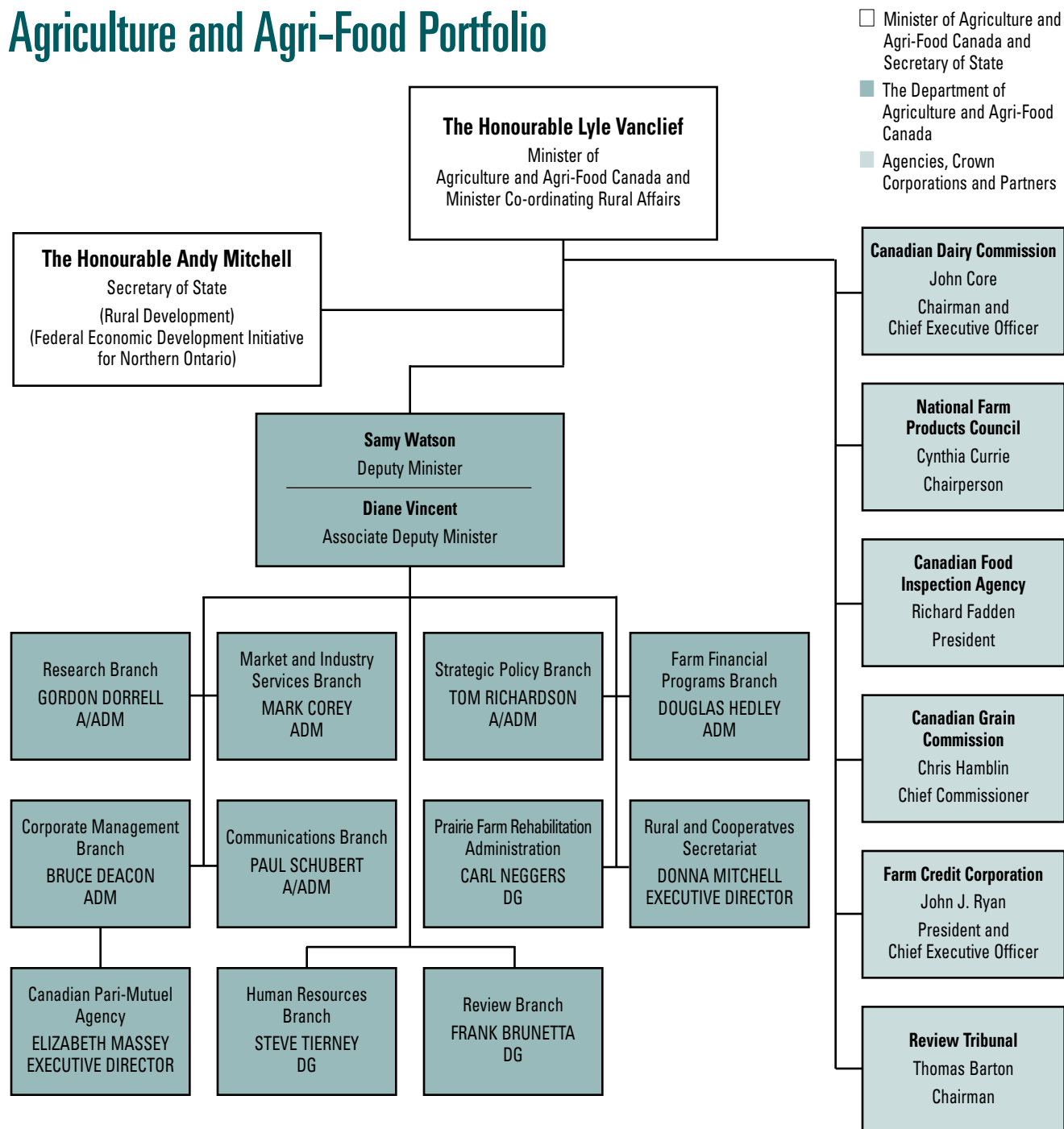
(\$ MILLIONS)	FORECAST 2002-2003	PLANNED 2003-2004	PLANNED 2004-2005	PLANNED 2005-2006
Authority*	2.0	2.0	2.0	2.0
Drawdown:				
Balance as at April 1	1.0	1.0	1.0	1.0
Projected Surplus (Drawdown)	–	–	–	–
Total Drawdown	1.0	1.0	1.0	1.0
Projected Balance at March 31	3.0	3.0	3.0	3.0

* \$2 million is the maximum amount that may be drawn down from the Consolidated Revenue Fund (CRF) at any time.

ANNEX II

FURTHER INFORMATION

Agriculture and Agri-Food Portfolio



How to Reach Us

DEPARTMENTAL CONTACTS

Agriculture and Agri-Food Canada

Note: All addresses are at 930 Carling Avenue unless otherwise noted.

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930 Carling Avenue
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World Wide Web: <http://www.agr.gc.ca>

More information on the Department and its activities can be found on our Web site at:
http://www.agr.gc.ca/index_e.phtml

Minister of Agriculture and Agri-food and Minister Coordinating Rural Affairs

The Honourable Lyle Vanclief, P.C., M.P.
<http://www.agr.gc.ca/minoffe.html>

Secretary of State (Rural Development) (Federal Economic Development Initiative For Northern Ontario)

The Honourable Andy Mitchell, P.C., M.P.
<http://www.agr.gc.ca/cb/min/emitchell.html>

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Review Tribunal

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LEGISLATION ADMINISTERED BY THE MINISTER OF AGRICULTURE AND AGRI-FOOD

THE MINISTER HAS SOLE RESPONSIBILITY TO PARLIAMENT FOR THE FOLLOWING ACTS THAT ARE ADMINISTERED BY AGRICULTURE AND AGRI-FOOD CANADA

<i>Agricultural Marketing Programs Act</i> ¹	S.C., 1997, C. 20
<i>Agricultural Products Marketing Act</i>	R.S.C., 1985, C. A-6, as amended
<i>Animal Pedigree Act</i>	R.S.C., 1985, C. 8 (4 th Supp.), as amended
<i>Department of Agriculture and Agri-Food Act</i>	S.C., 1994, C. 38, as amended
<i>Experimental Farm Stations Act</i>	R.S.C., 1985, C. E-16, as amended
<i>Farm Debt Mediation Act</i>	S.C., 1997, C. 21
<i>Farm Improvement Loans Act</i>	R.S.C., 1985, C. F-3, as amended
<i>Farm Improvement and Marketing Cooperatives Loans Act</i>	R.S.C., 1985, C. 25 (3 rd Supp.), as amended
<i>Farm Income Protection Act</i>	S.C., 1991, C. 22, as amended
<i>Prairie Farm Rehabilitation Act</i>	R.S.C., 1985, C. P-17, as amended

THE MINISTER SHARES RESPONSIBILITY TO PARLIAMENT FOR THE FOLLOWING ACTS

Criminal Code, Section 204	R.S.C., 1985, C. C-46, as amended (Minister of Justice and Attorney General of Canada)
<i>Department of Foreign Affairs and International Trade Act</i> , Paragraph 10(2)(e)	R.S.C., 1985, C. E-22, as amended (Minister of Foreign Affairs)

¹ The following Acts have been repealed by the *Agricultural Marketing Programs Act* (AMPA). However, the sections in the AMPA repealing these acts have not yet come into force. They therefore remain Acts for which the Minister is responsible:

Agricultural Products Board Act
Agricultural Products Cooperative Marketing Act
Advance Payments for Crops Act
Prairie Grain Advance Payments Act

LEGISLATION ADMINISTERED BY AGENCIES OUTSIDE OF AGRICULTURE AND AGRI-FOOD CANADA

<i>Agriculture and Agri-Food Administrative Monetary Penalties Act</i>	R.S.C., 1995, C. 40
<i>Canada Agricultural Products Act</i>	R.S. 1985, C. 20 , 4 th supp.
<i>Canadian Dairy Commission Act</i>	R.S.C., 1985, C. C-15, as amended
<i>Canadian Food Inspection Agency Act</i>	R.S. 1997, C. 6
<i>Canadian Wheat Board Act</i>	R.S. 1985, C. C-24
<i>Consumer Packaging and Labelling Act</i>	R.S. 1985, C. C-38
<i>Farm Credit Canada Act</i>	S.C., 1993, C. 14
<i>Farm Products Agencies Act</i>	R.S.C., 1985, C. F-4, as amended
<i>Feeds Act</i>	R.S. 1985, C. F-9
<i>Fertilizers Act</i>	R.S. 1985, C. F-10
<i>Fish Inspection Act</i>	R.S. 1985, C. F-12
<i>Food and Drugs Act</i>	R.S. 1985, C. F -27
<i>Health of Animals Act 1990</i>	C. 21
<i>Meat Inspection Act</i>	R.S. 1985, C. 25 , 1 st supp.
<i>Plant Breeders' Rights Act 1990</i>	C. 20
<i>Plant Protection Act 1990</i>	C. 22
<i>Seeds Act</i>	R.S. 1985 C. S-8