

Agriculture and Agri-Food Canada

2006-2007

Report on Plans and Priorities



Agriculture and
Agri-Food Canada

Agriculture et
Agroalimentaire Canada

Canada

HOW TO READ THIS REPORT

This Report on Plans and Priorities presents Agriculture and Agri-Food Canada's (AAFC) planned program activities for the fiscal year 2006-2007. The report's structure is as follows:


Section I, Plans and Priorities Overview, contains an introductory message from the Minister of Agriculture and Agri-Food and Minister for the Canadian Wheat Board, summarizing the Department's plans and priorities. This section also contains: a Management Representation Statement, signed by the Deputy Minister and the Associate Deputy Minister; Summary Information in table format, designed to provide a quick view of AAFC's reason for existence, the total financial and human resources the Department manages, and an overview of departmental program activities by strategic outcome; an outline of all priorities, and areas of the Department's vision, mandate and strategic outcomes, and benefits accruing to Canadians from its activities; highlights of performance accomplishments by program activities that contribute towards ongoing departmental priorities; and the management framework that the Department uses to deliver results.

Section II, Analysis and Performance, provides a detailed analysis of AAFC's program activities by strategic outcome: Security of the Food System, Health of the Environment and Innovation for Growth. This section also describes the program activities of the Rural Secretariat and the Co-operatives Secretariat, and the two agencies that report to Parliament through the Department: the Canadian Pari-Mutuel Agency and the National Farm Products Council.

Section III, Supplementary Information, contains Financial Tables, Horizontal Initiatives Information, Key Government-wide Themes, Statutory Annual Reports, and Parliamentary Committee Reports and audits and evaluations that apply to the work of the Department during the reporting year.

Section IV is Other Items of Interest. These include the portfolio's organizational chart and contacts, and Legislation and Acts administered by the Minister of Agriculture and Agri-Food and other agencies in the portfolio. Also, this section has an appendix providing links to electronic resources for further information.

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

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

We are committed to continuous improvement in our reporting. We therefore welcome receiving your comments on this report. Please send us your comments:

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Message from the Minister

If there is a word that could be used to best describe Canada's agriculture and agri-food sector, it is *opportunity*. Agriculture is integral to creating opportunities for Canadians. The sector employs one in eight Canadians, accounted for more than \$26 billion in exports in 2005, and generates more than eight per cent of Canada's gross domestic product. It is innovative, it fosters good environmental stewardship, and it is a key contributor to the vitality of our rural communities.

As Minister of Agriculture and Agri-Food and Minister for the Canadian Wheat Board, it is my job to help champion Canadian agriculture and agri-food, both at home and around the world. And it is the Government of Canada's goal and commitment to help agriculture grow, prosper and be competitive on the world stage. This is key to the continued success of Canada's economy, and it is key to continuing to create opportunities for the sector, and for all Canadians.

I am honoured and privileged to have the chance to work for a sector that is of such significant economic, environmental and social importance to our country. Indeed, I am optimistic about the future of Canada's agriculture and agri-food sector.

Its productivity growth far surpasses other sectors of the economy, and has done so for decades. The sector has proven itself to be innovative and adaptive, able to constantly evolve to meet the needs of consumers. That is why Canadian agriculture and agri-food products are known and respected at home and around the world for their superior quality.



**The Honourable
Chuck Strahl**

And I am proud to say that all organizations within the agriculture and agri-food portfolio – including Agriculture and Agri-Food Canada, the Canadian Dairy Commission, the Canadian Food Inspection Agency, the Canadian Grain Commission, Farm Credit Canada, and the National Farm Products Council – are working in concert to maintain the strength and productivity growth of the sector.

Of course there are challenges. Declining farm income, for example, has been a persistent frustration to the sector. One of the first things the new Government did upon taking office was accelerate the payout of the \$755 million Grains and Oilseeds Payment Program. We will also be replacing the Canadian Agricultural Income Stabilization program, to ensure income stabilization and disaster assistance best serves the needs of farmers, while remaining affordable to taxpayers. And we are making good on our commitment to provide an additional \$500 million each year for agriculture to help address immediate farm needs and build profitability for the long term.

Another important priority for the Government of Canada will be the implementation of a Cover Crop Protection Program to protect prairie farmers. This program will create a compensation fund for farmers facing the devastating consequences of crop damage caused by severe flooding.

Canadian producers will also be assisted by the Enhanced Spring Credit Advance Program, which we announced for the 2006 crop year, and the recent amendments to the Agricultural Marketing Programs Act, which combines the Spring Credit Advance Program and the Advance Payments Program into one program. These initiatives will provide increased benefits not just to crop producers, but to producers of other commodities and livestock as well.

To help the sector take greater advantage of new opportunities, we will continue to work towards the development of a Science and Innovation Business Plan to build a national science capacity for agriculture, and we will keep working across the entire value chain – or as we like to say, from the farm to the fork – to help ensure faster adoption and commercialization of scientific and technical knowledge.

We will also pursue our commitment to ensure all motor vehicle fuel in Canada contains an average of five per cent renewable fuel content, such as ethanol or biodiesel, by 2010. The Government of Canada is going to make sure farmers have the opportunity to profit from this new environmentally sensitive alternative.

At the same time, we want to achieve an outcome at the World Trade Organization which benefits all of Canadian agriculture. We are committed to lowering the international trade barriers and unfair trade-distorting domestic subsidies in other countries. The Government will continue to advance the interests of our agriculture sector through multilateral, regional and bilateral trade initiatives.

We will also provide Canadian wheat and barley producers with the ability to choose how they market their products. We will provide western Canadian producers with the ability to market their grains either through the Canadian Wheat Board, or to a buyer of their choice.

And relevant to all of this work, an important priority for the portfolio during the next two years will be the development of the next generation of agriculture and agri-food policy, to provide an enduring foundation for profitability throughout the value chain. The agreements on the existing Agricultural Policy Framework expire in 2008, so as a portfolio we will be working in close collaboration with our provincial and territorial counterparts and with a wide range of stakeholders to develop new policies and programs that meet the needs of the entire agriculture and agri-food sector.

To demonstrate how the Department is going to respond to some of the challenges facing the sector during the next three years, I am pleased to present to Parliament and all Canadians the Agriculture and Agri-Food Canada's Report on Plans and Priorities (2006-2007). This report outlines the fiscal and strategic direction that the Department will pursue.

I look forward to working with the entire agriculture and agri-food portfolio, with producers, with provincial and territorial governments, with industry and with all Canadians, to ensure the agriculture and agri-food sector remains competitive, innovative and strong. By fostering security of income for farm families and a solid economic foundation for rural communities, the Government of Canada is helping ensure the agriculture and agri-food sector can continue to create opportunities for producers and for all Canadians.



The Honourable Chuck Strahl
Minister of Agriculture and Agri-Food and
Minister for the Canadian Wheat Board

Management Representation Statement

We submit, for tabling in Parliament, the 2006-2007 Report on Plans and Priorities (RPP) for Agriculture and Agri-Food Canada.

This document has been prepared based on the reporting principles contained in the *Guide for the Preparation of Part III of the 2006-2007 Estimates: Reports on Plans and Priorities and Departmental Performance Reports*.

- It adheres to the specific reporting requirements outlined in the Treasury Board Secretariat (TBS) guidance.
- It is based on the Department's approved Program Activity Architecture structure as reflected in its Management, Resources and Results Structure.
- It presents consistent, comprehensive, balanced and reliable information.
- It provides a basis of accountability for the results achieved with the resources and authorities entrusted to it.
- It reports finances based on approved planned spending numbers from the TBS.



A handwritten signature in cursive script that reads "Leonard J. Edwards".

Leonard J. Edwards
Deputy Minister



A handwritten signature in cursive script that reads "Christiane Ouimet".

Christiane Ouimet
Associate Deputy Minister

Summary Information

MANDATE

Agriculture and Agri-Food Canada (AAFC) provides information, technology, policies, and programs to achieve its three strategic outcomes:

- 1) Security of the Food System
- 2) Health of the Environment
- 3) Innovation for Growth

BENEFITS FOR CANADIANS

AAFC's departmental program activities, based on the vision-driven Agricultural Policy Framework, form a cohesive action plan that is working for the benefit of all Canadians. The Canadian agriculture and agri-food sector will enjoy enhanced business stability. Consumers will be confident in the safety and quality of their food and the environmentally responsible methods used to produce it. Canadians will also benefit from a range of new food and non-food products that will improve their day-to-day quality of life. A stronger Canadian agriculture and agri-food sector will, in turn, strengthen the Canadian economy as a whole.

Departmental Resources (Total Planned Spending)

2006-2007		2007-2008		2008-2009	
\$ Millions	FTE*	\$ Millions	FTE	\$ Millions	FTE
3,853.9	6,257	2,595.9	6,257	1,708.6	6,257

Departmental Program Activities

Program Activity	Type	Planned Spending (Net)		
		2006-2007	2007-2008	2008-2009
Security of the Food System				
Business Risk Management	Ongoing	2,689.2	1,487.0	1,149.7
Food Safety and Food Quality	Ongoing	121.3	100.2	38.9
Markets and International	Ongoing	79.5	78.3	57.5
National Farm Products Council	Ongoing	2.6	2.7	2.7
<i>Total Security of the Food System</i>		2,892.6	1,668.2	1,248.8
Health of the Environment				
Environment	Ongoing	331.4	275.1	158.5
<i>Total Health of the Environment</i>		331.4	275.1	158.5
Innovation for Growth				
Innovation and Renewal	Ongoing	572.2	599.1	271.9
Markets and International	Ongoing	34.1	33.6	24.6
Rural and Co-operatives	Ongoing	23.7	20.0	4.7
Canadian Pari-Mutuel Agency	Ongoing	0.0	0.0	0.0
<i>Total Innovation for Growth</i>		630.0	652.7	301.3
TOTAL		3,853.9	2,595.9	1,708.6

* Full Time Equivalents

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

Plans And Priorities Overview

INTRODUCTION

Canada's agriculture and agri-food sector is integral to creating opportunities for Canadians, and pursuing opportunity is central to the federal government's approach to building a strong and dynamic Canadian economy. Helping agriculture grow, prosper and be competitive on the world stage is key to the Canadian economy.


The sector's economic contribution each year is enormous. The agriculture and agri-food system, or value chain – including primary farming, processing, distribution and retail services – provides one out of every eight jobs in Canada, and accounts for about \$151 billion in annual retail and food service sales, including more than \$26 billion in exports. Canada is the world's fourth-largest agri-food exporter, behind the European Union, the United States and Brazil. Altogether, the sector is responsible for about eight per cent of Canada's total Gross Domestic Product.

Socially, the sector plays an important role, helping to maintain Canada's rural communities and the rural way of life. The hard-working people and communities that make up Canada's farming and rural landscape continue to be at the heart of this proud and productive industry.

However, each year brings new domestic and global challenges for producers, from natural risks, such as plant and animal diseases, to changing market-access conditions. These pressures attest to the inherently risky business environment confronting Canadian producers. The Government of Canada recognizes these pressures and has responded. It has committed an additional \$500 million in annual funding for agriculture, along with an extra \$1 billion for 2006-2007, to address immediate farm needs while it continues to work toward enhancing the sector's profitability for the long term.






For example, the government will help position the sector to benefit from increased market opportunities. At the World Trade Organization (WTO) agriculture negotiations, Canada has been seeking to improve market access for our exporters, and is also pursuing such efforts through regional and bilateral trade initiatives. In addition, Canada is working to prevent the emergence of unnecessary barriers to trade through WTO committees and international standard-setting bodies. These efforts on the international front are complemented with targeted marketing programs.


Canada will have to be among the world's leaders in developing and adopting new research and technology that will help drive innovation in areas where this country can claim a competitive advantage. Skills and business practices within the sector will need to be enhanced. Ties with the economic development, energy, health, biosecurity, and environment agendas will need to be strengthened.



The joint federal, provincial and territorial Agricultural Policy Framework (APF) , agreed for the five-year period 2003-2008, provides a stable platform of policies and programs to enhance the long-term profitability, competitiveness and sustainability of the sector. The APF established a new policy direction for governments and industry by enabling a full shift towards a whole-farm approach.


The APF is made up of five integrated and complementary elements: (1) Business Risk Management, (2) Food Safety and Quality, (3) Science and Innovation, (4) Environment, and (5) Renewal. Policies and programs under all five elements are in place, most in partnership with provincial and territorial governments, and many delivered by stakeholder groups.

During the next three years, AAFC's plans and priorities will continue to address the needs of the sector for the benefit of Canada's farmers, agri-food and other industry stakeholders, and all Canadians. While the APF will serve as the basis for this work up until its expiry in April 2008, the Department will be developing the next generation of agriculture and agri-food policy, to provide an enduring foundation for profitability throughout the value chain. To achieve this, federal, provincial and territorial governments recognize the need to work together and have committed to consulting with a broad range of stakeholders.

Through AAFC, together with its portfolio partners – the Canadian Food Inspection Agency (CFIA) , Farm Credit Canada (FCC) , the National Farm Products Council (NFPC) , the Canadian Dairy Commission (CDC) , and the Canadian Grain Commission (CGC)  – the federal government will continue to work with other governments and industry, as well as all other partners, to address immediate needs and establish a strong policy foundation that will ensure a competitive and profitable agriculture and agri-food sector for years to come.

Among its other key objectives for agriculture and agri-food, the Government of Canada will consult with its provincial and territorial partners, and with industry on program options for the Canadian Agricultural Income Stabilization (CAIS)  program. The Government has made a commitment to replace the current integrated CAIS program with one that separates stabilization and disaster relief, to ensure this type of programming is simpler and more responsive to the needs of Canadian producers, while also being affordable to taxpayers.

An important focus for the Government of Canada is to continue to support farmers and farming communities through investments and more effective programming that better meets their needs and recognizes the circumstances they face. An example is the Cover Crop Protection Program (CCPP) , under which a one-time federal payment will be available to producers who were unable to plant a commercially viable crop in 2005 and 2006 due to spring flooding. The Government has also introduced the Canadian Farm Families Options Program , a pilot program designed to help lower-income farm families explore options to raise their income for the future and provide short-term income support to lower-income farm families.

The federal government will also work with all partners to ensure Canada is well prepared to respond to a possible prolonged or widespread outbreak of avian influenza, and that the necessary precautions and preparations are taken to deal with other possible biosecurity issues as they relate to agriculture. Canada remains vigilant against bovine spongiform encephalopathy (BSE) , and, as such, measures have been implemented to strengthen Canada's BSE-related feed restrictions to provide additional protection to the health of Canada's cattle herd. Funding has also been committed to assist with related disposal issues.

International trade is critical for Canada's agriculture and agri-food sector. That is why the Government of Canada has been working hard in the WTO agriculture negotiations to achieve a more level playing field for Canada's agriculture producers and processors. Canada's objectives have been and remain to work toward the elimination of all forms of export subsidies, the substantial reduction of trade-distorting domestic support and real and significant market access improvements. In close consultation with the provinces and industry stakeholders, the Government will continue to advance the interests of Canada's agriculture and agri-food sector at the WTO and also through regional and bilateral trade initiatives.

AAFC will work to ensure key sectors such as grains and oilseeds can continue to pursue profitability for their operations. This encompasses providing advice on regulatory policy decisions coming out of the current review of the Canada Grain Act and developing an action plan to achieve the Government of Canada's commitment to enable western grain farmers to participate voluntarily in the Canadian Wheat Board.

The Government of Canada will help boost the long-term competitiveness of the agriculture and agri-food sector by implementing measures to help producers move into promising niche markets, support producers' efforts in biofuels ventures and create research networks related to the bioeconomy.

Indeed, the development of biofuels is a priority for the Government of Canada, and AAFC will work with other federal departments, provinces, territories, and the entire sector to expand the use of biodiesels and ethanol in Canada's energy supply. The Government has committed to requiring an average of five-per-cent renewable fuel content in all Canadian transport fuel by 2010. This may help increase demand for grain and oilseeds each year, presenting a great opportunity for



Canadian producers. The federal government will ensure the agriculture and agri-food sector is in a position to benefit from the increased use of biofuels.

AAFC's work in biofuels and other bioproducts will be a key part of the Department's new Science and Innovation Business Plan. This plan will help ensure AAFC continues to support the future competitiveness and prosperity of the agriculture and agri-food sector, and stays on the leading edge of new scientific advances.

The Government of Canada's agenda is based upon the values of integrity, family, respect for work, achievement, and commitment to a strong and free Canada. The plans and priorities of AAFC, described in this report, embrace these values and reflect the key federal themes of *accountability*, *opportunity*, *security*, and *community*.

STRUCTURE OF THE REPORT

This report is organized into four sections. Section I, Plans and Priorities Overview, outlines the contribution the agriculture and agri-food sector makes to Canada and Canadians. This is followed by a brief description of the operating environment, including key challenges and opportunities facing the sector and the Government. The balance of this first section provides a summary of the Department's strategic responses in both the short and long term.

Section II, Analysis of Program Activities by Strategic Outcome, provides a more detailed description of the program activities the Department plans to carry out in support of its three strategic outcomes: (1) Security of the Food System, (2) Health of the Environment and (3) Innovation for Growth. Section II also describes the program activities of the Rural Secretariat and the Co-operatives Secretariat, and the two agencies that report to Parliament through the Department: the Canadian Pari-Mutuel Agency (CPMA)  and the National Farm Products Council (NFPC) .

Section III, Supplementary Information, presents AAFC's financial information tables.

Section IV, Other Items of Interest, presents the organization of the Department and provides the names, titles and contacts of senior departmental and portfolio officials.

OPERATING ENVIRONMENT

The Canadian agriculture and agri-food sector has played an important role in this country's economy for generations. The sector is undergoing significant change, particularly as the international trade environment becomes more open. In recent years, the sector's growth has been fueled by value-added exports, but with challenges like low-cost competition in bulk commodities, some primary producers have faced mounting difficulty in earning income from the marketplace.

Just as Canada's agriculture and agri-food sector has undergone significant change, agriculture around the world has experienced a radical transformation both structurally and technologically in the latter half of the 20th century. Driven by advances in science and technology, the pace of change will continue to accelerate in the years to come.

Advances in technology and productivity improvements have expanded the capacity to produce agricultural commodities faster than the growth in demand, thus resulting in commodity surpluses and resulting in a sustained, long-term, real decline in many commodity prices.

Agricultural policies of some countries have also contributed to low prices. Increased international competition has put downward pressure on prices, particularly in recent years, and will likely continue to push prices down, regardless of the level of government support. For example, in several major commodities, such as oilseeds, low-cost countries are expanding production and capturing global market share despite relatively low levels of government support.

The Canadian agriculture and agri-food sector has successfully expanded value-added processing of food products, leading to more than a doubling of the value of Canadian agri-food exports during the past 15 years – from \$10 billion to more than \$25 billion. While the long-term growth potential for value-added food products is not expected to be sufficient to sustain the sector in the future, it will have substantial opportunities for sustainable profitability and growth based on new uses for agricultural, agri-food and non-food products in the emerging sustainable economy.

Production Risks and Market Conditions

From animal diseases such as BSE and avian influenza, to adverse weather and environmental conditions such as drought, floods, frost, and pests, producers in Canada face daunting natural risks each year that are beyond their control. The timing of these events are unpredictable, and the consequences are often wide-ranging and occasionally devastating. In short, production risks will always be intrinsic to the agricultural business. The APF was developed with this reality in mind.

Consumers of today have unparalleled power in the marketplace, both here in Canada and around the world. Buyers are increasingly conscious of the safety and quality of their food, and are demanding a new level of responsibility in how food is produced and processed. They want a greater variety of products, and expect a higher nutritional value in those products. Continuing to meet and exceed these demands will create new markets and opportunities for the Canadian agriculture and agri-food sector.

At the same time, world trade and market access issues can have an acute effect on producers at home. International market conditions, such as intensifying competition for market share from low-cost producers around the world, provide challenges for Canadian producers and processors, while new markets and products create new opportunities. As well, the market regulations and agricultural policies of nations around the world can have implications for imports of Canadian products. At any time, border and import issues can arise that work against the normal flow of Canadian agricultural exports.

For Canada, international trade is critical to the growth and prosperity of the agriculture and agri-food sector. In 2005, Canada exported \$26.2 billion and imported \$21.1 billion in agriculture and agri-food products. Canada's agriculture and agri-food exports have more than doubled since the early 1990s, with exports of consumer-oriented products more than quadrupling over this period.

Because of the central importance of international trade to Canadian agriculture, AAFC has been an active participant in the WTO agriculture negotiations,

and has been pressing for an outcome to the Doha Development Round of negotiations that benefits Canada's entire agriculture and agri-food sector.

Canada was extremely disappointed at the impasse reached in the WTO Doha negotiations in July 2006. Nevertheless, Canada remains committed to more liberalized trade, the rules-based multilateral trading system and the objectives of the Doha negotiations. Pursuit of opportunities for Canadian agriculture through regional and bilateral trade initiatives will also remain an important part of the Government's efforts to promote the future prosperity and competitiveness of the sector.

Science and Innovation Underpin the Sector's Future

Canadian producers have proven themselves to be more than capable of capitalizing on opportunities. As a nation that depends on trade and has a relatively short growing season, Canada needs to exploit every available competitive opportunity.

One of Canada's greatest strengths is its ability to innovate. Scientific research has helped Canadian producers to be among the most effective and cost-efficient in the world. More than ever, innovation holds the key to the sector's long-term profitability and competitiveness.

The rise in biotechnology has stimulated the emergence of a renewable-resource based bioeconomy with a vast array of new value-added possibilities for Canadian producers and processors, including biopesticides, which help farmers reduce the amount of chemicals used in food production; using micro-organisms to break down waste and provide cleaner water; functional foods, nutraceuticals and biopharmaceuticals, which help people live healthier and better lives; and biofuels that produce less greenhouse gas emissions and other bioproducts for use in all aspects of day-to-day life. In these ways and more, Canada's agriculture and agri-food sector has the potential to capture new markets for food and non-food products and further improve its competitive edge.

The ability of the sector and the entire country to compete successfully in the international marketplace is directly tied to its ability to generate and capitalize on ideas. While being able to turn an innovation into a commercially successful product, process or service is important, so, too, is being first to the marketplace.

Our competitors realize this as well and are putting an increasing emphasis on innovation. Getting to the market faster, smarter and with better products and services is crucial to increasing the profitability of the Canadian agriculture and agri-food sector in the long run.

Environmental Responsibility Must Continue to Improve

Consumers are increasingly conscious of the conditions under which their food is produced, and have greater expectations that the agriculture and agri-food sector meet high standards for environmental responsibility. Consumer and advocacy groups are concerned about the use of pesticides and other chemicals, and their impacts on the health of the environment, food safety, farm workers, and the public. Producers and processors – already admirable stewards of the environment – realize that ensuring better environmental performance through improved agricultural practices is an essential part of ensuring responsible use of agricultural resources. At the same time, meeting increasingly stringent environmental standards offers great opportunity for the entire sector, in terms of increased marketability of agricultural products and the preservation of the environment. Such efforts also promote increased public awareness and support of the sector's environmental stewardship efforts and the production of safe, high-quality food in an environmentally friendly way.

The agriculture and agri-food sector also has an important and unique role to play in helping Canada reduce greenhouse gas emissions and reverse the trend of climate change. For their part, producers need to find ways to adapt and respond to the effects of climate change on their operations. Moreover, the entire sector must continue to develop ways to minimize greenhouse gas contributions, which will help to reduce overall greenhouse gas emissions in Canada and clean up the air Canadians breathe.

Alignment with Government-wide Priorities and Outcomes

AAFC's program activities reflect and support the Government of Canada's broad priorities and goals to create opportunities for Canadians, make the economy more productive and competitive and make Canadian communities better places to work, play and grow. Budget 2006 reflected this commitment by providing an additional \$1.5 billion to Canada's agriculture and agri-food sector for 2006-2007. The Department works with producers, stakeholders and other levels of government to help ensure that the sector is competitive domestically and internationally, viable and prosperous, and contributing to a strong economy, while protecting and promoting integrity of the environment.

The Whole of Government Framework provides a structure for mapping the contributions of departments, agencies and Crown corporations to a set of high-level Government of Canada outcomes. AAFC's activities are focused in the following outcomes under the Framework:

- Economic: Strong Economic Growth
- Economic: An Innovative and Knowledge-Based Economy
- Economic: A Fair and Secure Marketplace
- Economic: A Clean and Healthy Environment
- International: A Prosperous Canada through Global Commerce

OUR STRATEGIC RESPONSE

The APF provides a set of policies and tools to manage risks and enhance profitability. It has an international dimension that cuts across the five pillars to leverage progress made at home for success abroad. It was developed to respond to challenges facing the sector – such as consumer demands related to food safety, food quality, environmental practices, globalization, and rapid scientific and technological change – and was designed to maximize new opportunities.

The comprehensive policy framework provided by the APF guides the Department to achieve results under its three strategic outcomes – (1) Security of the Food System, (2) Health of the Environment and (3) Innovation for Growth.

The economics of the agriculture and agri-food sector are changing and the sector faces pressure to evolve. The Government of Canada has committed to conducting broad-based consultations in partnership with provincial and territorial governments to help develop the next generation of agriculture and agri-food policy, to provide an enduring foundation for profitability throughout the value chain.



While the work to develop this policy gets under way, the Department will continue to focus its efforts and resources on helping to create a competitive and innovative sector where partners work together to make Canada the world leader in agriculture and agri-food, meeting domestic and global customer demands while respecting the environment.

AAFC will pursue key program activities under each of its three strategic outcomes to advance the agriculture and agri-food agenda and ensure the best quality of life for all Canadians.

Strategic Outcome: Security of the Food System – *A secure and sustainable agriculture and agri-food system that provides safe and reliable food to meet the needs and preferences of consumers*

Program Activity: Business Risk Management 

Farming in Canada means dealing with risk. Business Risk Management (BRM) means ensuring producers have the tools they need to manage that risk as effectively as possible to minimize its impact on farm incomes.

AAFC's approach to BRM is based on two core programs: the *Canadian Agricultural Income Stabilization* (CAIS)  program and *Production Insurance* . These programs are designed to work together to help producers manage the business risks associated with farming. Both are jointly funded by federal and provincial and territorial governments.

The CAIS program is designed to help producers manage farm income risk. Under the program, as currently designed, stabilization and disaster protection are integrated into a single program, helping producers protect their operations from both small and large drops

in income. Throughout 2006-2007, the Government of Canada will be working with its provincial and territorial partners, and industry, to put in place programming that is simpler and more responsive to the needs of Canadian producers. Specifically, the Government will be consulting on program options, including replacing the current integrated CAIS program with one that separates stabilization and disaster relief, as well as developing a more responsive approach to valuing inventories under CAIS. In the interim, until these options are adopted and governments proceed with improvements, the CAIS program will remain in place for the 2006 program year.

CAIS is a *whole-farm* program available to eligible farmers. Since funding allocations under the program are demand-driven, assistance goes where it is needed, with no fixed cap on government funding for any given year. Improving the delivery of the program across Canada continues to be a high priority for federal, provincial and territorial governments.

Producers of milk, poultry and eggs primarily use supply management to stabilize their revenues. The supply-managed system provides mechanisms to allow individual producers to manage most business risk. The federal government will work to ensure that agricultural industries that choose to operate under domestic supply management remain viable. The Government recognizes that Canada needs efficient production planning, market-based returns to producers and predictable imports to operate domestic supply management systems.

Supply-managed sectors are eligible for financial assistance, under the CAIS program, whenever their margins in a year fall by more than 30 per cent.

Production Insurance is an expansion and enhancement of the long-standing *Crop Insurance* program. Production Insurance not only provides income protection against production losses resulting from uncontrollable natural hazards, it also covers more commodities and provides a broader range of program choices for producers. The program provides relatively stable levels of protection even after multiple years of loss, protection based on specific crops tailored to individual farmers' experiences, and quick payments once losses have been determined. In 2006-2007, a review of the Production Insurance

program will be undertaken with a view to developing options for further expanding it to cover livestock and fresh horticultural commodities.

These two core BRM programs are complemented by *Financial Guarantee* programs, including the *Spring Credit Advance Program* (SCAP), the new *Enhanced Spring Credit Advance Program* (ESCAP), the *Advance Payments Program* (APP), the *Farm Improvement and Marketing Co-operatives Loan Act* (FIMCLA) program, and the *Price Pooling Program* (PPP), as well as the *Private Sector Risk Management Partnerships* (PSRMP) program.

The SCAP provides crop producers interest free advances of up to \$50,000 in the spring to offset input costs, while the APP provides a maximum \$250,000 advance in the fall (with the first \$50,000 interest free), so producers can store their crops and sell them throughout the crop year to achieve higher returns. Bill C-15, an Act to amend the Agricultural Marketing Programs Act (AMPA), received Royal Assent on June 22, 2006. This new legislation will enable the SCAP and the APP to be combined into one program under the APP and allow producers of other commodities and livestock to be eligible for benefits under the program. Under the new APP, advances will be for a maximum \$400,000, and the first \$100,000 will be interest free. Following the regulatory process and the development of the delivery system, it is anticipated that program will be available by January 1, 2007.

To enable producers of existing eligible crops to have access to some of these new program benefits for the 2006 crop year, the ESCAP was announced on May 18, 2006. The ESCAP provides for interest free advances of up to \$100,000 with a repayment period until September 30, 2007.

The FIMCLA program provides producers with access to credit to improve farm assets, strengthen production, and improve the financial viability of their farms. Through the program, loans of up to \$250,000 for producers and \$3 million for co-operatives owned by active producers are guaranteed by the federal government. Consultations during the summer of 2006 will help determine how the FIMCLA program can be more effective in meeting the capital needs of producers including beginning farmers and agricultural co-operatives. These consultations will also play a role

in modernizing the delivery mechanisms/processes of the program and addressing co-operative development issues.

The PPP provides a price guarantee to marketing agencies for agricultural products. The guarantee protects the marketing agencies and its producers against unanticipated declines in the market price of their products. The agencies can then use the guarantee as security to obtain credit from a lender.

AAFC and FCC have worked co-operatively on the delivery of several federal programs, and a portfolio working group is being established to develop an implementation plan for further collaboration on federal programs.

Program Activity: Food Safety and Quality

Public confidence in the safety and quality of food products is vital to the economic sustainability of Canada's agriculture and agri-food sector. Consumers continue to demand more information and greater assurances about the safety and quality of the food they eat, and they require healthy, nutritious products for the best quality of life. Enhancing Canada's food safety and quality systems requires AAFC to continue to work with its portfolio partners and other federal organizations, provincial and territorial governments, producers, and processors, for a horizontal and cohesive approach.


To this end, federal, provincial and territorial governments are developing a co-ordinated approach to the development of food policy in Canada. Through the National Food Policy Framework, governments are setting complementary policy directions and goals that will strengthen the agriculture and agri-food system and enhance consumer confidence, health protection and promotion, and economic growth.

For example, having dealt together with the consequences of incidents such as BSE and avian influenza in Canada, governments recognize that animal health has significant impacts on public health, environmental sustainability, food security, and the economic well-being of the agriculture and agri-food sector and of Canadians as a whole. That is why AAFC, the CFIA and the numerous collaborators involved in maintaining Canada's enviable animal health status continue to develop co-ordinated policies, programs and tools, such as the National Agriculture and Food Traceability

System, to increase our capacity to manage current and emerging risks. AAFC is also collaborating with federal and provincial partners to enhance on-farm biosecurity measures.

One of the Government of Canada's primary objectives regarding the management of BSE is to assist the cattle and beef industry to regain and expand international markets. As a component of completing Canada's response to BSE, measures have been implemented to strengthen Canada's BSE-related feed restrictions to provide additional protection to the health of Canada's cattle herd, and funding has been committed to assist with related disposal issues.

AAFC scientists, with their portfolio partners, will continue to find ways to enhance livestock health and welfare through innovative nutrition, stress management and disease control strategies in livestock production. They will also enhance food safety through the detection, characterization and control of food-borne hazards, and improve human nutrition and wellness by conserving the functional properties of food from production to retail.

With funding from the Canadian Food Safety and Quality Program (CFSQP) , the agriculture and agri-food portfolio will continue to help producers and processors implement traceability and food safety systems, ensuring they have the tools they need to demonstrate the safety and quality of the products they sell.

Canadians are becoming increasingly aware of the direct linkages between health and diet and are looking for the Canadian food supply to offer products that could contribute positively to their health, or to minimize possible risks. AAFC scientists are focusing their efforts on enhancing human health and wellness. They are developing practical approaches to improve nutrition, making innovative products available, maximizing their benefits through customizing the formulations to meet consumer needs and generating scientific evidence needed to underpin health claims to facilitate their market entry. Discussions on the next generation of agriculture and agri-food policy that are currently under way provide the opportunity to incorporate specific health-related initiatives, thereby positioning the sector as a contributor to both the health of Canadians and a prosperous economy.

Program Activity: Markets and International

Canada is a trading nation, and the agriculture and agri-food sector is a big part of the country's trade success. AAFC, along with its portfolio partners, continues to work toward maximizing international opportunities for Canadian agriculture and food by building on Canada's reputation as a provider of safe, high-quality, innovative products produced in an environmentally friendly manner.

To achieve long-term success, Canadian producers and processors must adapt to a changing global marketplace. Consumers are becoming increasingly discriminating in their food purchases, placing new demands for safety and quality attributes. At the same time, producers and processors are faced with a rapidly increasing pace of technological change.

Compounding these challenges is the fact that the sector is facing new competition in the global marketplace from lower-cost countries. In addition, as they pursue international trade opportunities, Canada's producers and processors continue to confront trade-distorting domestic support, export subsidies and constraints on market access in other countries. Further, the rules governing trade in agriculture and food products need to be strengthened in many cases and followed consistently by all trading nations.


The critical importance of agricultural trade to Canada's economy and to Canadians means that for AAFC pressing for a positive outcome in the agriculture negotiations at the WTO will remain an important objective. Through the WTO Doha Round, Canada's objectives are to achieve the elimination of all forms of export subsidies, the reduction of trade-distorting domestic support and real and significant improvements to market access. Achievement of these goals would allow Canada's industry to prosper and grow as efficiently as possible and to its maximum potential. In this context, Canada has been and will continue to pursue the best possible outcome from the WTO agriculture negotiations for Canadian agriculture and agri-food, including both supply-managed and export-oriented sectors.

The suspension of the WTO negotiations in July 2006 was a significant setback, given the economic benefits that Canada stood to achieve from an ambitious

outcome, including for Canadian agriculture. Canada strongly supports efforts by WTO members to achieve a successful conclusion to the Doha Round of negotiations, and stands ready to re-engage if and when the negotiations resume. At the same time, Canada will also continue to pursue regional and bilateral trade negotiations which will have important implications for Canadian agriculture. AAFC will continue to work closely with other departments, in particular the Department of Foreign Affairs and International Trade, to ensure that Canada's overall trade policy agenda serves to sustain and advance the competitiveness of our agriculture and agri-food sector.

AAFC also remains committed to defending Canada's ability to make choices domestically about how to market Canadian products. The Department will continue to emphasize that decisions on the future of marketing systems should be made in Canada and not by international trading partners. The Government of Canada has committed to giving western grain farmers the option to participate voluntarily in the Canadian Wheat Board.

Continued success in world markets depends on international recognition of Canadian actions in food safety and quality, and environmental stewardship. Not only will this approach have a positive impact on those Canadians earning their livelihoods from the agriculture and agri-food sector, it will further enhance the sector's important contribution to this country's positive balance on trade. AAFC will continue implementing a strategy for branding Canadian agriculture and food. Building a strong brand will help differentiate Canadian products from the competition and is one of the ways AAFC is working to help stakeholders from across the value chain succeed in international markets.

The Canadian Agriculture and Food International (CAFI)  program will also continue to support industry associations in gaining recognition for the safety and quality of Canadian agriculture and food products. For example, Canada will continue work to negotiate equivalency of the Canadian organic production system with the European Union.

In addition, through a joint federal-provincial-industry initiative called the Legacy Fund, the Department will launch an aggressive marketing campaign to reclaim and expand markets for Canadian beef to increase exports and reduce Canada's reliance on any single market.

Of equal importance to the interests of the Canadian agriculture and agri-food sector are activities undertaken to ensure that current market access is maintained and improved by engaging with trading partners on a bilateral level. To further these objectives, AAFC monitors market access conditions in individual markets and reports on them to ensure that Canadian exporters are aware of the requirements they must meet to successfully enter these markets. The Department also works together with other federal departments, Canadian representatives abroad, provincial governments, and industry stakeholders to develop trade policy advocacy strategies to ensure that any potential impediments to trade are avoided, or at least minimized as much as possible, before Canadian exports are negatively impacted. The Department's activities also include ensuring that Canadian interests are represented when they are challenged under our trading partners' domestic laws – for example, anti-dumping and countervail investigations or litigation intended to prevent a trading partner from improving market access.

Similarly, AAFC monitors the development of regulations or import requirements in export markets that could, when implemented, affect Canadian trade interests to ensure that they do not unduly or unjustifiably restrict trade with Canada and that they are consistent with our trading partners' commitments – for example, under the WTO Agreements or the North American Free Trade Agreement. These activities include making representations directly to foreign authorities – or assisting Canadian representatives abroad to make such representations – and working where possible with stakeholders in the market contemplating these regulatory amendments to make them aware of the potential impact on trade with Canada and to convey any concerns.

AAFC will remain engaged in discussions on how the Biosafety Protocol will be implemented to ensure Canadian trade will not be unduly affected nor be at a competitive disadvantage to other exporters. AAFC will also continue to play a role interdepartmentally in

determining Canada's positions at various multilateral fora, such as the WTO's Sanitary and Phytosanitary, Technical Barriers to Trade, and Trade-Related Aspects of Intellectual Property Rights Committees, as well as the international standard setting bodies such as the Codex Alimentarius Commission and the Office International des Epizooties.

AAFC will undertake this work to ensure Canada is fully engaged with its trading partners to ensure market access and prevent unnecessary barriers to trade from arising.

Strategic Outcome: Health of the Environment – *An agriculture and agri-food sector that uses environmental resources in a manner that ensures their sustainability for present and future generations*

Program Activity: Environment 

The Government of Canada has committed to developing and implementing a new Made-In-Canada approach which will focus on the direct impacts the environment has on the health of Canadians and communities. The new approach will be effective, realistic and will focus on achieving improved health for Canadians, while ensuring a strong economy.

The Made-In-Canada approach is all about taking action domestically to achieve tangible environmental results. Canada's agriculture and agri-food sector has an important role to play in this plan.

The sector is unique because while it must adapt to the effects of climate change, it also needs to find ways to reduce its own greenhouse gas (GHG) emissions. Further, it can make an important contribution to the mitigation of overall greenhouse gases in the atmosphere through practices such as carbon sinks, by which carbon is removed from the atmosphere and stored in soil, biofuel production and use, and improved methods of agricultural waste management.

The Department recognizes both the opportunities and challenges facing the sector related to improving the health of Canadians, and will:






- work with Natural Resources Canada and Environment Canada to develop a national biofuels strategy and capture the economic benefits of biofuels production and utilization while enhancing the sector's environmental performance;

- work with Natural Resources Canada and Environment Canada to develop a system for estimating and reporting GHG emissions;
- work with other government departments to minimize the impact of potentially toxic substances that can be released into the environment by the agriculture and agri-food sector;
- work towards reducing the environmental impact from agriculture by identifying best management practices to minimize environmental risks; and
- undertake climate data analysis, develop climate change scenarios for agriculture and use crop simulation models to improve understanding about potential climate stresses to crop production.

There are other environmental pressures facing the sector as well. Global competition, trade challenges and public expectations are accelerating the need to better use Canada's resources. Governments and industry have to respond to greater concern about the health and safety of food and the impact on natural resources such as air, water, soil, and biodiversity as a result of more intensive agricultural production practices.

By managing the effects of agriculture on the environment, producers can contribute to a better quality of life for Canadians and better sustain their operations. AAFC will continue to help producers develop their expertise in environmental management.

The Environmental Health National Science Program is developing new knowledge and new technologies to enhance the environmental performance of agricultural production and to protect Canada's natural resources: air, water, soil, and biodiversity. In the long term, the outcome of this research will sustain or improve the quality of the agri-environment and adjacent ecosystems. Environmental science activities guarantee that management practices bearing low environmental risk will be available for use by Canadian producers.

The Prairie Farm Rehabilitation Administration (PFRA)  will continue to be key to the departmental focus on land and water resources. It will provide expertise, technical services and programs, such as Environmental Farm Plans , the National Farm Stewardship Program , Greencover Canada  and the National Water Supply Expansion Program , to

producers and land managers to help them take innovative approaches to improving stewardship of natural resources.

Last year, AAFC launched the first phase of the National Land and Water Information Service (NLWIS), an investment in agri-environmental sustainability under the environment chapter of the APF. This will be a co-ordinated, national service providing easy and timely on-line access to detailed geographic information and interpretive models to support local and regional land-use decision making. As the new service goes on-line, it will transform the way in which Canadians access geographic information, and will give rise to better agri-environmental policies and increased understanding of the relationship between agriculture and the environment. The Department will continue implementation of the NLWIS as a co-operative and collaborative initiative to provide an ever-increasing slate of services to Canadians.

AAFC will work with provincial and territorial partners and industry on projects and policies designed to promote sustainable, economically viable and environmentally sound activities from the farm level and up the value chain. Canada is committed to protecting and enhancing the environment, and AAFC will help Canada achieve that goal.

Strategic Outcome: Innovation for Growth – An innovative agriculture and agri-food sector that develops food and other agriculture-related products and services in order to capture opportunities in diversified domestic and global markets

Program Activity: Innovation  and Renewal 

Innovation

Much of Canada's success as a trading country has been built on excellence in science and innovation. Nowhere has this been truer than in Canada's agriculture and agri-food sector where for more than a century, AAFC scientists and their partners have been working to create better opportunities for farmers and all Canadians.

The products of Canadian agricultural research are found around the world, on grocery store shelves, and as ingredients in a growing range of non-food products, from medicines and health products to building materials and environmentally friendlier fuels.

Canada's researchers are among the world's leaders in developing new crops and making improvements to animal breeding. In fact, AAFC accounts for almost half of the annual expenditures on agricultural research and development in Canada. This includes departmental research, as well as research funding provided to universities and other research providers to carry out agricultural research and development.

In the autumn of 2005, AAFC held extensive regional and national consultations with representatives from across the sector to seek feedback and advice on key science and research priorities and strategies to maximize returns from science investments.

These consultations made it clear that science and innovation are increasingly important to uniquely position Canada for success in global markets, as they are the keys to economic growth, improved competitiveness of the Canadian agriculture and agri-food sector and farm profitability.

During the consultations, stakeholders recognized science has a critical role to play in opening up new opportunities for the sector. Producers want new opportunities that increase their farm income. Processors want value-added food products and new uses for agricultural production, new products and new markets. Consumers (domestically and globally) want increased assurance of the safety and quality of the food system and enhanced environmental performance of the agriculture and agri-food sector. Provinces, territories and rural communities want economic development opportunities from agriculture.

While traditional food and feed markets remain key to Canadian agriculture, stakeholders recognize that the future for agriculture is not simply food and food products. Significant opportunities for growth exist for non-food products, such as biomaterials, biomedical products, biohealth products, bioenergy products, biochemicals, and biopharmaceuticals.

There is also an increasing recognition among stakeholders of the need to take a collaborative approach to address issues and opportunities that are increasingly complex, interrelated and multidisciplinary in nature. Stakeholders are aware that no one research provider can expect to have all the necessary resources and that significant benefit can be achieved through integration of efforts and resources.

For example, biofuels is a key element of the energy, environmental and economic agenda for the Government of Canada. AAFC is working collaboratively and in partnership with other science and research providers to explore the more efficient use of farm-based feedstocks for ethanol and biodiesel production and the use of waste products to generate methane gas for energy production. In the longer-term, a key research goal is to help integrate biofuels production into biorefinery processes that produce fuels and a variety of high-value co-products from biomass, thereby creating improved economic opportunities for farmers and the agriculture and agri-food sector while addressing energy and environmental goals at the same time.

As a result of its recent consultations, AAFC has an enhanced understanding of future research needs and is better positioned to develop its Science and Innovation Business Plan that will help the sector to become the world leader in supplying safe, high-quality and innovative products in world markets. Key national research priorities that have emerged from the consultations include:

- enhance human health and wellness through food, nutrition and innovative products;
- enhance the quality of food and the safety of the food system;
- enhance security and protection of the food supply;
- enhance economic benefits for all stakeholders;
- enhance environmental performance of the Canadian agricultural system;
- enhance understanding of Canadian bioresources and protecting and conserving their genetic diversity; and
- develop new opportunities for agriculture from bioresources.

An important part of the Science and Innovation Business Plan will be to ensure the Department's research efforts are complementary to those of other players in the national research community.

AAFC will increasingly pursue arrangements with its portfolio partners for collaboration, co-location and partnership opportunities to support the establishment of national networks of research facilities with world-class expertise.






Integral to success will be national consultation, co-ordination and co-operation among science providers to help ensure the collective research efforts and investments by governments, universities and the private sector are used to the country's greatest advantage.

Just as important as building scientific capacity for the agriculture and agri-food sector is ensuring the sector can more quickly put innovation to practical use. This will require a supportive business climate for innovation with:

- existing and new innovation chains oriented towards new opportunities and access to new domestic and export markets;
- approaches to managing intellectual property that facilitate innovative use in a timely manner;
- a regulatory environment that is flexible, credible, up-to-date with the latest advances in science and technology, and encourages investment and innovation; and
- an adequate supply of appropriately trained people to meet the requirements for strategic growth.

Renewal

Advances in science and technology promise a great future for the agriculture and agri-food sector. Continuous learning will ensure producers have the skills required to capitalize on these new opportunities. To this end, AAFC provides producers with several renewal programs to enhance their knowledge of and access to innovative practices and technologies that meet demands for safe, high-quality food produced in an environmentally responsible way.

The renewal programs offered by the Department include: the Canadian Farm Business Advisory Services (CFBAS)  – comprised of Farm Business Assessment (FBA) , Specialized Business Planning Services (SBPS)  and Planning and Assessment for Value-Added Enterprises (PAVE)  – and the Canadian Agricultural Skills Service (CASS) .

Through Renewal programs, producers have access to a confidential, on-line benchmarking tool that allows them to compare their farm data with other farms of similar specialization and size within their region. Farmers and their families are also getting help in attaining their business and personal goals through a

single point of entry for professional business services. Producers who are considering establishing or expanding a value-added enterprise can access funds to retain the services of a business planning professional.

In 2004, AAFC launched the Advancing Canadian Agriculture and Agri-Food (ACAAF)  program. The ACAAF program is a five-year, \$240 million program designed to position Canada's agriculture and agri-food sector at the leading edge of new opportunities. The program provides funding for regional and national projects designed and implemented by the sector.

AAFC will continue to deliver renewal programs and will work to develop new options for the next generation of agriculture and agri-food policy. AAFC will make programs more easily accessible in various areas, including farm business advisory services, awareness, skills development, and access to capital, and will work with other players including FCC.

Program Activity: Markets and International

Canada's agriculture and agri-food sector has the potential to build on its reputation as a reliable supplier of products that meet and exceed consumer expectations. Realizing this potential – both at home and around the world – will require a focused, determined and innovative approach by governments and industry.

As mentioned, there are numerous market and trade challenges facing the sector. Globalization has made world markets more competitive as new, low-cost producers expand production. Market access is undermined by trade-distorting practices and circumvention of trade protocols. Consumers continue to raise the bar on food safety and quality and environmental practices.

The CAFI program will continue to support Canada's agriculture, food and seafood industry associations in their efforts to gain and expand international recognition for Canadian agriculture and food products. The program will help the industry deliver a comprehensive national strategy to ensure Canada is well-positioned to succeed in key markets, and respond to consumer demands and global competition.

Through the APF, AAFC will continue to help Canadian producers meet these challenges, while maximizing and capturing opportunities in both domestic and international markets.

A key to success in this area will be the implementation of a branding strategy designed to build on the strengths of the agriculture and agri-food sector and on Canada's reputation as a supplier of safe and high-quality food and food products. AAFC will continue to work closely with industry toward the implementation and integration of this strategy, as well as the development of other long-term strategies designed to bring increased market success to the sector.

To help the sector continue to take advantage of new and existing export opportunities, the Department will also work to strengthen international market and development relationships. This will be achieved through initiatives such as the *Canada-China Agriculture Development Program*, as well as through implementation of other international market engagement, international development and international scientific co-operation strategies.


Program Activity: Rural **and Co-operatives**

There is an obvious connection between a healthy and vibrant rural Canada, and a strong and prosperous agriculture and agri-food sector. It takes an entire network of rural communities in Canada to support a resource-based sector like agriculture; without those communities the huge contributions of the sector would be reduced. To ensure the sector remains strong, rural issues and priorities must receive due attention and consideration when policies, programs and legislation are developed.

Part of AAFC's mandate is to ensure viable rural communities, a mandate the Department shares with many other federal departments. As the federal lead on this horizontal initiative, AAFC will, during the next three years, identify rural community development priorities and develop an action plan for responding to those priorities. Information requirements and tools to support rural development in Canada will also be provided.

The AAFC mandate also includes co-ordination of federal government initiatives that support co-operative development. Canada has more than 10,000 co-operatives serving over 10 million citizens in different sectors of

the social economy such as housing, childcare, financial services, and agriculture. There are over 1,300 agricultural co-operatives with a combined membership of 400,000 independent farmers. Agricultural co-operatives employ 36,000 people and possess 15 to 20 per cent of the market for farm procurement, processing and marketing of farm products. They generate more than \$19 billion per year in revenue and play a key role in the viability of rural communities.

During the next three years, AAFC will focus on the *Co-operatives Development Initiative (CDI)* . The CDI is designed to provide expert assistance and advice to groups that want to start new co-operatives, or that need help to manage existing ones, and to study and demonstrate how co-operatives can be used in innovative and successful new ways.

Canadian Pari-Mutuel Agency (CPMA)

The CPMA regulates and supervises pari-mutuel betting on horse racing at racetracks across Canada. The agency's mandate is to protect the public against fraudulent wagering practices, thereby helping to maintain a viable racing industry. It is accountable to the Minister of Agriculture and Agri-Food.

A review has been launched of the CPMA's operations, practices and policies, designed to ensure the agency continues to be seen as fair and above board by the Canadian betting public, provincial regulatory bodies and the horse racing industry. The review is being undertaken with extensive consultation with a broad range of stakeholders in both the private and public sectors.

OUR MANAGEMENT PRIORITIES

To deliver on the APF vision for the agriculture and agri-food sector in the 21st century, AAFC moved to align its management structure with the Department's program activities. This new management structure, which evolved with the APF, is designed to provide the infrastructure and mechanisms needed for collaboration, to share responsibility to better address the horizontal policies and program issues and challenges in the agriculture and agri-food sector, and to maximize benefits for Canadians.

MANAGEMENT ACCOUNTABILITY FRAMEWORK (MAF)

AAFC continues to place a high priority on management excellence and has been actively engaged in the Treasury Board Secretariat's MAF since its inception in 2003.

The MAF summarizes the government's expectations of sound management. It is used by the Government of Canada to assess the performance of departments in key management areas – from financial to people management, from assigning accountabilities to reporting results.

Departmental management performance under the MAF is measured against 10 essential elements. AAFC's management commitments and priorities are outlined below.

Building on the Department's work over the past several years, AAFC is continuing to strengthen its management system. The Department has developed and implemented a comprehensive Strategic Planning and Accountability Framework. It consists of five interdependent components: Accountabilities and Responsibilities, Strategic Planning, Comptrollership and Financial Management, Results-based Management Framework, and Managing in a Matrix Environment.

The Framework provides the tools and internal policies to enable all departmental employees to work in the most efficient and effective manner possible, while emphasizing financial stewardship and accountability. It clearly demonstrates that AAFC's management practices are consistent with the Government of Canada's overall management agenda.

Portfolio Management

AAFC, together with its portfolio partners, is working to implement a portfolio approach to major issues and policies. There has been an extensive evolution in portfolio management since 2001, which has translated into continued adoption of portfolio management best practices. It demonstrates that AAFC's management practices are consistent with the Government of Canada's overall management agenda.

A co-ordinated approach has been taken with Main Estimates, Supplementary Estimates and Annual Reference Level Update. A strategic portfolio approach has been developed and will be implemented for annual planning and reporting.


Accountability

In keeping with enhanced Government of Canada policies designed to ensure sound financial comptrollership within federal departments, AAFC is in the process of implementing the Chief Financial Officer (CFO) model. The CFO will be accountable for managing financial risks within AAFC, understanding the financial implications of decisions before they are taken, reporting on financial results, and protecting against fraud, financial negligence, violation of financial rules or principles, and losses of assets or public money.

AAFC is also working to meet stringent new internal audit guidelines released by the Comptroller General of Canada. The Department's Chief Audit Executive (CAE) is responsible for overseeing and promoting professional conduct of internal audits. The CAE provides independent, objective information and assurance on the effectiveness and adequacy of the Department's governance, risk management and control processes, including assessing controls over financial management, financial reporting and evaluation of programs and activities.

The CAE is independent from departmental management and operations. This position has unimpaired ability to carry out responsibilities, including reporting findings to the Deputy Minister, the Departmental Audit Committee and the Comptroller General of Canada.

People

The *Public Service Modernization Act* (PSMA)  is a cornerstone piece of legislation for modernizing human resources management in the public service. The ability of a department to maximize opportunities afforded by the PSMA is tied to the robustness of its human resources planning efforts. To support human resources planning at AAFC, the Department developed a corporate human resources planning

approach in early 2005, aligned with the model designed by the Public Service Human Resources Management Agency of Canada. AAFC's approach guides the Department's human resources planning, ensuring rigour and consistency, and bringing together human resources plans from individual branches to create one department-wide plan.

AAFC has made notable progress towards integrated human resources and business planning.

First, human resource planning is an integral part of the departmental strategic planning cycle and overall strategic management direction at AAFC. Its matrix governance model encourages branch management to consider the current and future human resource needs required to support team business plans, and enables the crosswalk of human resource needs to the longer-term strategic work needs of teams, and the Department as a whole.

Second, HR planning ensures the right people are recruited into the Department, and that development opportunities are made available to employees so that its workforce can respond to new work priorities and shifts in the strategic direction of the Department. AAFC recently launched several initiatives designed to help ensure individual employees are provided with career development opportunities that align with departmental priorities.

Key initiatives include the adoption of a competency-based HR management approach. AAFC has developed a suite of competency profiles for virtually all occupational groups and levels, and is integrating these into recruitment, staffing, learning, and the new Employee Performance Management Program. By integrating competencies into its staffing processes, in particular, the Department can hire people suited to a broader range of positions, not just one or a narrowly defined set of positions. This is critical to help AAFC continually move people from low-priority to high-priority work, and to have people who can adapt professionally as the work evolves.

Third, as implementation of HR plans is being finalized, the need to ensure that AAFC remains a representative and inclusive department, in terms of both usage of our official languages and in employment equity membership, is being taken into

account. For example, Our Bilingualism Program at AAFC includes more than \$1 million annually for non-statutory language training. This multi-year program is being accessed across the country, increasing the Department's ability to do business in both official languages. Another important initiative at AAFC is the Aboriginal Student Outreach Program, designed to increase interest and opportunities for Aboriginal students in science and science-related agricultural studies. Further expansion of the program is planned for 2006-2007.

A key challenge for the Department is affecting the full implementation of integrated HR and business planning within its matrix governance model, whereby it manages resources through branches and work through horizontal teams. AAFC continues to explore tools, processes and points of intersection that enhance the integration of HR Planning with business planning.

Another challenge is ensuring comprehensive and accurate data, and the tools and systems to manage information and reporting. AAFC recognizes this challenge and is overhauling its information management system and piloting new reporting tools to increase the accuracy and timeliness of reporting on HR activities.

Financial Management

AAFC is implementing a three-year financial strategy to help deploy future resources and ensure the Department can go in the direction it has planned. This strategy will determine how the majority of AAFC's discretionary resources are allocated to departmental priorities.

As part of this overall financial strategy, AAFC is working to implement its new *Financial Matrix Management* model, designed to support effective and efficient financial and results-based management, where teams are accountable for delivering results and outcomes, and branches support teams through day-to-day decision making. The *Financial Matrix Management* model will provide improved financial management accountability, while providing sufficient flexibility to manage changing departmental needs.

Strategic Planning

AAFC's strategic planning process has recently been enhanced to include six interdependent components. Each has its own set of requirements and steps, and each involves aspects of risk management. The six components are:

- 1) Strategic visioning – provides a road map consisting of its overall strategic vision and long-term strategic objectives, to steer planning and decision making to deal with challenges as they emerge;
- 2) Business planning – establishes annual plans and priorities, and balances the investment in ongoing operations and activities with the investment required for the change agenda initiatives;
- 3) Human resource planning – integrated with business planning, identifies current and future HR needs based on departmental priorities, and develops and documents the HR management strategies that best support these priorities;
- 4) Resource prioritization – involves analyzing departmental priorities and establishing resource priorities over a three-year period, with emphasis on the upcoming planning cycle;
- 5) In-year management – involves monitoring the progress against the business plan, managing the impact of significant issues and new requirements, including risk, and adjusting resources in response to new pressures; and
- 6) Performance management – outlines the structure and focal areas for measuring performance in AAFC with boards of directors and assistant deputy ministers monitoring progress, making course corrections and reporting on performance results.

Within the Department's framework, strategic visioning focuses on a three- to five-year horizon; resource prioritization focuses on the one- to three-year horizon; and the business planning process focuses on the upcoming year.

Emergency Preparedness

The Emergency Preparedness Act states that every Minister is accountable to Parliament for: 1) developing plans for contingencies that are within or related to their area of accountability; 2) implementing plans when requested, to support other government departments or provinces and territories; 3) providing for the safety and welfare of staff who are involved in responding to an emergency; and 4) conducting training and exercises to develop and test plans.

To this end, AAFC, with its portfolio partners, is implementing the National Disaster Assistance Framework (NDAF), to help better manage and co-ordinate the sector-wide response to emergencies.

The NDAF is an all-hazards emergency management system that is designed to link the federal, provincial/territorial and private sectors to better manage and co-ordinate responses to emergencies. The Framework is designed to be activated for agriculture and agri-food emergencies (including situations involving food safety, animal health and plant health, or emergencies occurring in other countries where international organizations request support) that exceed a provincial/territorial lead agency's capacity to deal with the situation and when support to the response effort is needed from other federal, provincial and private sector stakeholders.

As part of the NDAF, the Department is developing a plan detailing how the portfolio will respond in the event, however remote, of an influenza pandemic.

AAFC is also a key contributor to the Government of Canada's *whole-of-government* plan for responding to such a pandemic. As part of this plan, committees have been established to address potential gaps in preparedness in six main areas: 1) *International Issues*; 2) *Federal Business Continuity and Human Resources*; 3) *Public Health and Emergency Management*; 4) *Communications*; 5) *Economic and Social Impact* and 6) *the Private Sector*.

In addition, the Department is developing a Business Continuity Program to ensure the continued availability of critical services and assets during the event of an emergency, as required by the Government of Canada's Security Policy.

Citizen-focused Service

AAFC is committed to a client-focused approach to service delivery, and to achieving measurable improvements in response to client expectations. To support this approach, the Department is guided by an Integrated Service Delivery Strategy, which aims to continuously improve service quality and focus on results for all Canadians.

Understanding clients and their needs is what drives service improvement at AAFC. Major activities will be undertaken in support of service improvement and service delivery, including building a client and service knowledge base, simplifying business processes, and migrating software programs to a common grants and contributions platform. Building upon its use of the Common Measurement Tool – a client satisfaction survey instrument – the Department will undertake further client surveys to determine levels of satisfaction and preferences.

As part of an ongoing effort to enhance access to information, programs and services, AAFC will strengthen its capacity to provide on-line services to complement the more traditional service channels of telephone, in person and mail. Clients will have more integrated, personalized access to services through an on-line AAFC Web portal and an AAFC *My Account*.

The Department is also working with its federal, provincial and territorial partners to develop and implement strategic communications plans and marketing activities. This will help better serve and inform AAFC clients at home and abroad about the objectives, benefits and value of AAFC programs and services, with the goal being to promote and increase stakeholder involvement in these programs. To achieve this goal, AAFC has set forth three key communications priorities to support our external clients:

- develop and deliver integrated APF communications and marketing plans with federal, provincial and territorial partners;
- deliver communications and consultations for the next generation of Canadian agriculture and agri-food policy; and
- develop and deliver a proactive outreach program to promote science partnerships.

Internal Client Services

In keeping with guidelines from the Treasury Board of Canada Secretariat, AAFC has developed its Long-Term Capital Plan to plan for and manage its assets and capital priorities and expenditures. The plan was approved by Treasury Board in 2005-2006 and, as it is implemented, will help the Department retain or acquire only essential assets required to deliver programs efficiently, and manage its existing asset base and make appropriate changes to it with the resources that are available. It will also provide a rationale for proposed expenditures and project approvals.

AAFC is also contributing to the Government of Canada's Corporate Administrative Shared Services (CASS) initiative. Under the CASS initiative, federal transactional and administrative functions are to be delivered through new shared service structures, designed to provide the best service and value to Canadians. The initiative aims to improve effectiveness and efficiency of administrative services by developing government-wide information management and information technology systems, streamlining and standardizing administrative practices and processes, and ensuring access to information for better management of government. As a current provider of financial and human resource systems services to portfolio partners as well as to other departments, AAFC and its clients are uniquely positioned to offer lessons learned and successful practices to the CASS organization.

Information Management

AAFC has developed a long-term comprehensive information management and information technology strategy, known as the IM/IT Strategy, Roadmap and Investment Plan. This strategy identifies the context, business drivers, key targets, recommended approaches, and planning considerations to best use information technology to meet business challenges.

The business priorities of AAFC are refreshed annually through an internal client consultation process. The IM/IT Strategy, Roadmap and Investment Plan also defines the roadmap for continuing investments in technology and best practices and AAFC's strategic approach to integrated systems and common services.

AAFC has introduced a client-driven IM/IT governance framework, with a view to reviewing and prioritizing IM/IT activities on an annual basis and ensuring investments remain aligned with departmental and government-wide priorities. The results of this exercise are used to update the IM/IT Strategy, Roadmap and Investment Plan. The focus during the next year will be on improving the plan's alignment with the departmental planning processes, and broadening the scope of the IM/IT governance framework to include all departmental information management activities.

Effective and thorough IT security standards have long been a priority at AAFC. Continuing this trend, the new Management of Information Technology Security (MITS) standard will be a major activity within the Department, as it is with most other federal departments. AAFC supports the intent of the MITS standard and will follow an implementation approach that best meets this intent and addresses the key information security risks, while supporting departmental business in a way that is as cost-effective as possible.

PARLIAMENTARY COMMITTEE REPORTS

The Standing Senate Committee on Agriculture and Forestry issued an interim report in May 2005 entitled *Cattle Slaughter Capacity in Canada*. This report focuses on the aftermath of the BSE crisis and on efforts by the Canadian cattle industry and governments to strengthen the Canadian processing industry and increase the domestic slaughter capacity.

Over a period of six months, the committee heard testimonies from the Minister of Agriculture and Agri-Food, representatives from the banking sector, Government of Canada officials, producers, processors, and different groups that have either started new processing facilities, or are in the process of doing so.

The report focuses on several specific areas: building Canadian capacity and reducing reliance on the United States, sustainability of the Canadian packing industry, financing of new plants, approval of new facilities by the Canadian Food Inspection Agency, and inspection needs, food safety regulations, and finally, international trade.

The report contains seven recommendations covering the areas listed above. AAFC responded in September 2005 in a letter from the Minister addressed to the Chair of the Committee.

This report is available on-line at <http://www.parl.gc.ca/38/1/parlbus/commbus/senate/com-e/agri-e/rep-e/repintmay05-e.htm>.

CONCLUSION

The Canadian agriculture and agri-food sector is a success story and will continue to make significant contributions to society and to the quality of life of all Canadians. This country's producers and processors have a world-wide reputation for meeting consumer expectations regarding food safety and quality and environmental standards.

For a variety of reasons outlined in this report, farm incomes have declined in recent years. While the sector has shown resilience, the nature and scope of pressures it faces require Canadian producers and governments to continue efforts aimed at stability and success in the sector. The policies and programs under the APF have provided a national framework and mechanisms for these efforts.





Taken together, AAFC's departmental program activities form a cohesive action plan that is working for the benefit of producers, for the rest of the value chain, and for all Canadians. Efforts will continue to ensure the Canadian agriculture and agri-food sector enjoys enhanced business stability. Consumers at home and abroad will have greater assurances about the safety and quality of their food and the environmentally responsible methods used to produce it. Canadians can also expect a broad range of new food and non-food products that will improve their day-to-day quality of life. A stronger Canadian agriculture and agri-food sector will, in turn, strengthen the Canadian economy as a whole.

AAFC, along with its portfolio partners, is well positioned to respond and to contribute to government-wide initiatives to strengthen management and sustain a culture of accountability. The Department's experience in developing and implementing the APF with provincial and territorial partners and with stakeholders has created a robust and dynamic framework for the development of the next generation of Canadian agriculture and agri-food policy.



Analysis of Program Activities by Strategic Outcome

This section covers AAFC's program activities for the fiscal year 2006-2007 and outlines how these activities will contribute to achieving the Department's three strategic outcomes: 1) Security of the Food System, 2) Health of the Environment and 3) Innovation for Growth.

This section also contains information on other key areas for which the Department is responsible, including Rural Development , Co-operatives , the CPMA , and the NFPC .

The Agricultural Policy Framework

AAFC's Strategic Outcomes and all corresponding Program Activities are guided by the APF, and by the need to adjust the framework as necessary to ensure it best serves Canada's agriculture and agri-food sector and helps provide the best quality of life for all Canadians.

Over the next few years, significant policy and program development work will be required to ensure that the next generation of Canadian agriculture and agri-food policy is developed, negotiated and ready to implement in 2008, when the APF expires. This groundwork will also include the integration, within the next generation of the APF, of a food industry strategy to assist with the growth and development of the food processing sector in Canada. This approach is motivated by the growing significance of value-added products in today's marketplace as well as the recognition of the increasing importance of value-chain collaboration. AAFC's work under each of the following Strategic Outcomes is conducted with this in mind.

STRATEGIC OUTCOME 1: SECURITY OF THE FOOD SYSTEM

A secure and sustainable agriculture and agri-food system that provides safe and reliable food to meet the needs and preferences of consumers

INTRODUCTION

Security of the food system is about Canada's ability as a nation to produce, process and distribute safe and reliable food. To do this, Canadians need an agriculture and agri-food sector that is healthy, stable and viable.

The APF seeks to position the sector to meet the challenges and seize the opportunities of the 21st century. This means meeting and exceeding consumer demands and expectations, and branding Canada as a world leader in producing and supplying a variety of safe, high-quality and nutritious agri-food products while caring for the environment.

The APF puts significant emphasis on agricultural research and development to introduce new products, help the sector expand into new markets, and ensure product safety and quality, while protecting the environment.

OPERATING ENVIRONMENT

The Canadian agriculture and agri-food system produces approximately 80 per cent of the food and beverages consumed by Canadians. Canada enjoys one of the healthiest food supplies in the world. At the same time, the share of food in total household expenditures has been falling for the past 40 years. As we entered the 21st century, that share was less than 10 per cent. This is one of the lowest rates in the world, which can be attributed to not just increasing real incomes, but to Canada having one of the most efficient agriculture and agri-food systems in the world.

Canada is a prominent food exporter – the Canadian market of 32.4 million consumers is very small in relation to Canada’s vast agricultural land base. Throughout the world, Canada has established a firm reputation as a reliable supplier of agriculture and food products that meet and exceed consumer demands and expectations regarding food safety, food quality, content, and stewardship of the resource base.

Opportunities for growth, prosperity and a stable future for Canadian producers and processors are expanding. National borders are becoming more open. Foreign markets are becoming more affluent. Sciences are converging to produce a new range of bioproducts, giving birth to the new bioeconomy. In addition, an increasing number of consumers are demanding and willing to buy more convenient, healthier products. Canada can capture its share of these opportunities through innovation.

STRATEGIC RESPONSE

To achieve the strategic outcome Security of the Food System, AAFC works through the departmental program activities of Business Risk Management, Food Safety and Quality, and Markets and International.



BUSINESS RISK MANAGEMENT

Enhancing producers’ capacity to manage risk, and increasing the sector’s viability and profitability

The federal, provincial and territorial governments have long had policies and programs to deal with economic pressures and stabilize farm incomes. Common to the efforts is a focus on equipping producers with the tools and capacity to manage risks and ensure viable and profitable farming operations.

Under the APF, the federal government has targeted \$5.5 billion over five years for business risk management (BRM) programs. In addition to this funding, Budget 2006 provided a further \$1.5 billion in federal agricultural funding for 2006-2007, over \$1.3 billion of which is expected to be directed toward BRM programs in Canada. These programs provide similar treatment to every producer across the country facing similar circumstances, and provide whole-farm assistance instead of being commodity-focused, to address the needs of the sector for stability and disaster protection.





The Budget’s BRM initiatives are as follows:

- a one-time federal government injection of \$900 million to adjust the inventory valuation calculation under the CAIS  program retroactively for 2003, 2004 and 2005. Currently, changes in inventory are valued at year-end price. Under this transitional measure, inventory will be valued using a methodology that takes into consideration both opening price and end-of-year price. Producers entitled to more money after the recalculation will receive top-up payments;
- the Canadian Farm Families Options Program , a pilot program with a federal investment of \$550 million over two years, designed to help lower-income farm families explore options to raise their income for the future and provide short-term income support to

Planned Spending and Full Time Equivalents – Business Risk Management






2006-2007		2007-2008		2008-2009	
\$ millions	FTE	\$ millions	FTE	\$ millions	FTE
2,689.2	996	1,487.0	997	1,149.7	706

lower-income farm families. Eligible applicants will receive a payment that will bring them to a maximum income of \$25,000 for families and \$15,000 for individuals if they have a commercial farm and must commit to participate in a business planning and skills development program;

- \$50 million to expand the eligibility criteria for negative margin coverage under the CAIS program for the 2005 and 2006 program years. Previously, producers with negative margins were not eligible for CAIS program payments. Under this measure, they will be eligible if they have positive margins in two of three years used to calculate their reference margins. As well, producers could only receive two negative margin payments in a five-year period. With the changes, there is no limit on the number of negative margins payments a producer can receive;
- a further \$50 million for the Cover Crop Protection Program (CCPP) . This program provides a \$15-per-acre payment to help producers restore and protect their fields against excessive moisture and flooding damage, complementing the ongoing assistance available from the unseeded acreage or excess moisture benefits under Production Insurance . All farm operations across Canada affected by 2005-2006 spring flooding are eligible to apply;
- the implementation of the Enhanced Spring Credit Advance Program (ESCAP) , which doubles the maximum level of interest-free loans available under the existing Spring Credit Advance Program (SCAP)  from \$50,000 to \$100,000 and extends the repayment period for these advances from December 31, 2006 to September 30, 2007; and
- in addition to the funding for the CCPP, a commitment to implement enhanced disaster relief separated from income stabilization to provide farmers with timely and broad-based assistance in the event of major natural disasters.

AAFC and provincial governments, in consultation with industry organizations, are working to develop new and separate income stabilization and disaster assistance programs that provide responsive, predictable and timely assistance to producers. This programming will be implemented in 2007, and will form a core element of the next generation of agriculture and agri-food policy.

Business Risk Management programs

Two main programs are available to help producers manage risk and deal with income fluctuations. These core programs are the CAIS program and Production Insurance. The programs are complemented by province- and territory-based programming, the Private Sector Risk Management Partnerships (PSRMP)  program and cash advance and financial guarantee programs including the Enhanced Spring Credit Advance Program (ESCAP) , the Advance Payments Program (APP)  in the fall, the Financial Improvement and Marketing Co-operatives Loan Act (FIMCLA)  program and the Grains and Oilseeds Payment Program (GOPP) .

Canadian Agricultural Income Stabilization

The CAIS program is the successor to both the Net Income Stabilization Account (NISA) that focused on stabilization, and the Canadian Farm Income Program (CFIP) that focused on disaster protection. The CAIS program was officially launched in December 2003.

The CAIS program aims to help producers protect their farming operations from both small and large drops in income due to circumstances beyond their control. Like its predecessors, the CAIS program is cost-shared among federal, provincial and territorial governments and producers. A payment is made when a participant's margin in the program year falls below the reference or historical margin. The bigger the loss, the larger the share of the payment from governments.

The CAIS program is based on need, and provides coverage for disaster. It is a whole-farm program available to eligible farmers regardless of the primary agricultural commodities they produce, including dairy, poultry and eggs operating within supply-management systems. Farmers in supply-managed sectors, who primarily use supply management to stabilize their revenues, are eligible for disaster assistance under the CAIS program.

The CAIS program is delivered in British Columbia, Saskatchewan, Manitoba, New Brunswick, Nova Scotia, Newfoundland and Labrador, and the Yukon under federal administration. In Alberta, Ontario, Quebec, and Prince Edward Island, the CAIS program is delivered provincially.

Federal-provincial-territorial working groups continue to review the program and address issues as they arise. Various issues were examined in 2005-2006 and changes have come into effect for the 2006-2007 fiscal year, including the replacement of the deposit requirement with a fee. This will help remove a significant financial irritant of producers regarding the program while ensuring that producers continue to cost share in the program. Governments have also agreed to change the rules to provide coverage for more producers with negative margins and pursue adjustment to the method for inventory valuation to make CAIS more responsive during periods of price declines.

Ongoing analysis of the CAIS program will continue to take place in the 2006-2007 fiscal year with federal officials working with their provincial counterparts to ensure programming is simpler and more responsive to the needs of Canada's producers. Officials are reviewing options and carrying out consultations on potential improvements including replacing the current integrated CAIS program with one that separates disaster relief from income stabilization. The objectives of these initiatives include improving the responsiveness of the CAIS program, and increasing producers' understanding of the program, to ensure this type of programming is simpler and more responsive to the needs of Canadian producers, as well as more affordable to taxpayers.

Production Insurance

Production Insurance is cost-shared by producers and governments. The program helps stabilize producers' incomes by minimizing the economic impacts of production losses arising from natural hazards like drought, hail, frost, and excessive moisture, as well as uncontrollable pests and diseases.

Production Insurance is provincially and territorially delivered, with the federal government contributing a portion of total premiums and administrative costs.

Production Insurance builds on the successes of the long-standing Crop Insurance program. Producers have access to a wider range of program options, which is expected to result in an expanded list of insurable commodities in most provinces and territories. These changes are expected to encourage greater producer participation in the program and hence reduce existing gaps in protection and the need

for ad hoc compensation. In 2006-2007, a review of the Production Insurance program will be undertaken with a view to developing options for further expanding it to cover livestock and fresh horticultural commodities.

Producers are still able to purchase protection for severe, uncontrollable production and asset losses for crops. In addition, they can now participate in a range of new program options that are more consistent across provinces and territories. All provinces expanded plans or benefits available to producers during 2004 and 2005, and the subsequent year, 2006, will be the first year that all provinces' programs must comply with the federal funding levels identified in the Implementation Agreement.

Provincial/Territorial Programming

The purpose of province- and territory-based programming is to provide additional assistance to the agriculture and agri-food sector to help in the transition to the new BRM programs. Provinces and territories received funding over 2003-2006, for jointly agreed upon province- and territory-based initiatives that are consistent with the APF objectives. These initiatives included research and development programs and enhancements to the CAIS and Production Insurance programs. This initiative terminated on March 31, 2006. Any unspent funding will be used to fund non-BRM programs during 2006 and 2007.

Grains and Oilseeds Payment Program

This \$755-million federally funded program was introduced late in 2005-2006 to assist Canadian producers of grains and oilseeds in dealing with the severe economic hardships they are facing. This funding began flowing to grains and oilseeds producers across the country in 2005-2006, and the remainder will be distributed in 2006-2007.

Producers who reported sales of eligible grains, oilseeds or special crops for the 2004 tax year are eligible for the GOPP. The payments are based on producers' five-year average net sales of eligible grains, oilseeds and special crops for the 2000-2004 tax years (or the number of years available if less than five). Producers who started farming in 2005 and reported sales of eligible grains, oilseeds or special crops for the 2005 tax year are also eligible to apply.

Private Sector Risk Management Partnerships

While the APF has helped significantly to expand risk-management coverage to primary producers, farmers have identified some gaps in available farm-level risk-management coverage.


There is recognition of the important role of the private sector in developing and delivering risk-management products and services to the sector. AAFC's PSRMP programming is designed to help find risk-management solutions to these gaps, with products and services developed and delivered by the private sector.

By facilitating an expanding role for private-sector providers of risk-management products and services, the PSRMP approach allows for a limited investment of public resources in industry-led projects. The result of these specified investments will be an increased capacity to manage farm-business risks, supported by an increasing range of private-sector risk-management products and services designed to meet the needs of Canadian farmers.

PSRMP is an alternative approach for governments to address gaps in farm-level agricultural risk-management coverage. A total of 15 industry proposals were in place by the end of 2005-2006.

Financial Guarantee Programs

In addition to the risks traditionally associated with agricultural production, inadequate operating cash or access to credit can also affect the viability of farming operations. Financial guarantee programs address this need through credit facilities.

In May 2006, the Government of Canada announced amendments to the AMPA  designed to provide expanded coverage and increased financial advances to farmers. The amendments will see the SCAP and APP combined into a single program that continues to provide farmers with advances during the production cycle to allow producers to store their products and market them throughout the year when market conditions may result in better prices. Also, on May 18, 2006, the federal government introduced a new program – the ESCAP – designed to give crop producers the greater assistance they need while the new AMPA program is developed.

New AMPA regulations will be drafted this year. Following approval of the regulations, agreements will be developed with the crop and livestock organizations that will administer the new APP. Financial institutions will also be able to administer the program in areas where a farm organization may not be available. Discussions with these administrators will be ongoing throughout the process to ensure an effective new APP is developed.

The APP Delivery System was implemented in February 2006 to support current administrators of SCAP and APP. The new system will provide current administrators with an on-line delivery system for the programs. As well, enhancements have been started to allow the APP Delivery System to provide the functionality necessary to support both the ESCAP and the changes to the AMPA.






Producers also have access to the FIMCLA program, which increases the availability of loans for farm improvements and supports access to capital for agricultural co-operatives.



In 2006-2007 further analysis will be done regarding the debt access challenges for beginning farmers, inter-generational farm transfers and agricultural co-operatives. Included in this analysis process will be seven national stakeholder consultations spanning the country during the summer of 2006. Once this analysis is completed, options for changing FIMCLA to address these challenges may be considered.

BSE Programs


The confirmation of BSE in Canada, beginning in May 2003, required special measures and programs to deal with the impacts on the beef industry. The first set of programs was aimed at stabilizing the industry until normal trade patterns resumed. These programs were cost shared by federal, provincial and territorial governments, and included: the BSE Recovery Program, announced in June 2003, the Cull Animal Program, announced in November 2003, and the Transitional Industry Support Program, announced and implemented in March 2004.

As markets slowly began to recover, government assistance shifted to long-term measures designed to reposition the beef and cattle industry for profitability. Elements announced in September 2004 included continued

efforts to reopen fully the U.S. border to live Canadian cattle, measures to increase domestic slaughter capacity, transitional measures such as the Fed Cattle Set-Aside Program , the Feeder Calf Set-Aside Program , the Farm Income Payment Program , the Managing Older Animals Program  and the Ruminant Slaughter Loan Loss Reserve Program  to assist in the expansion of slaughtering capacity in Canada to reduce the dependence on foreign markets for live slaughter animals. It also included measures to improve traceability across the livestock and meat value chain.

Additional measures were announced in June 2005 to further assist in the expansion of slaughtering capacity in Canada. The Ruminant Slaughter Equity Assistance Program  and the Ruminant Slaughter Facility Assessment Assistance Program  will contribute to the success of producer-led projects by providing equity investments and assistance to undertake business and feasibility plans for the construction or expansion of slaughter facilities for beef and other ruminants. Also included in measures introduced in June 2005 were programs designed to assist in recovering pre-BSE markets for genetic material and other ruminants, and for exploring new market potential.

Other BRM Programming

The Price Pooling Program  is designed to facilitate the marketing of agricultural products under a co-operative by providing a price guarantee to protect against unanticipated declines in the market price.

Special Assistance Programming

The CCPP, announced in May 2006, is a Government of Canada initiative designed as part of a long-term solution to spring flooding across the country. The CCPP provides financial assistance to agricultural producers unable to seed commercial crops due to excessive moisture. Under the program, a one-time federal investment of \$50 million will be delivered to producers who were affected by springtime crop-land flooding in 2005 and/or 2006.

In 2006-2007, the Department will continue to monitor challenges facing the industry and the ability of existing programs to respond. The Department will adjust current programs, or implement emergency measures, to respond to identified needs.

FOOD SAFETY AND QUALITY

Minimizing the risk and impact of food-borne hazards on human health, increasing consumer confidence and improving the sector's ability to meet or exceed market requirements for food products

Consumers today expect and demand a variety of food products that are safe, high-quality and nutritious. In strengthening food safety, enhancing food quality, and retaining the sector's competitive edge both domestically and globally, consumers and the industry look to governments to play a leadership role.

The federal, provincial and territorial governments are committed to upholding Canada's reputation as a producer and supplier of food products that are among the safest and highest-quality in the world. As a step toward making this commitment a reality, federal, provincial and territorial partners are exploring the development of a National Food Policy Framework, designed to help co-ordinate policy development and priority setting on food issues by taking into account agriculture, economic and health consideration into the decision-making process. This will further strengthen the existing foundation for consumer confidence, health protection and economic growth.

The research focus and efforts of the Food Safety and Quality team include providing the knowledge and technology needed to enhance the ability of Canadian producers and governments to keep the food system safe, and to produce quality food products for consumers, now and in the future. AAFC science in support of this focus includes research designed to reduce food-borne hazards as well as post-harvest handling and storage research designed to maintain or enhance the quality of agricultural products.

Planned Spending and Full Time Equivalents – Food Safety and Quality

2006-2007		2007-2008		2008-2009	
\$ millions	FTE	\$ millions	FTE	\$ millions	FTE
121.3	454	100.2	453	38.9	453

Over the next three years, AAFC's efforts, working with the CFIA in the portfolio, and other federal, provincial and territorial partners, and engaging industry, will encompass food safety, food quality, traceability, and animal health:

- A **National Food Quality Policy** will guide federal, provincial, and territorial governments' program and policy development with respect to food quality, while supporting innovation and enhancing industry's opportunity and access to growing quality-driven markets.
- An **Animal Health and Welfare Policy** will allow governments and industry to move toward anticipating, preparing for, and managing evolving risks in animal health and welfare.
- A **National Agriculture and Food Traceability System**, starting with a **National Livestock Traceability System**, will guide implementation of animal and food traceability across the Canadian food-supply chain and encourage the development of processes that can trace the history, location and the movement of food products from field to fork. The system will support governments' roles in managing animal-health crises and in minimizing the risk of public exposure to food-safety hazards, while maximizing consumer confidence.

Canadian Food Safety and Quality Program (CFSQP)

The CFSQP, under the APF, is one of AAFC's on-going initiatives to address food issues. The program provides agriculture and agri-food industry associations with financial assistance to develop and implement food safety, traceability and quality-process-control systems. The strategic objectives of the program include:

- assuring the well-being of consumers by minimizing the risk of food-borne hazards;
- improving the ability of the industry to meet and exceed food-safety and food-quality requirements;
- developing national systems needed to support food safety, food quality and traceability; and
- maintaining and enhancing consumer confidence in the quality and safety of food products.

Using an integrated approach, the CFSQP has three distinct components: (1) Systems Development, (2) On-Farm Implementation and (3) Food Safety Initiative. Industry associations across the value chain will be able to use Systems Development funding to develop systems that form the foundation for food safety, quality assurance and traceability systems. The On-Farm Implementation and Food Safety Initiative will increase producers and processors' capacity to implement these systems and brand Canada as a supplier of safe and high-quality food and food products.

The CFIA is an important partner in these endeavours, providing technical advice in all areas, as well as managing the On-Farm Food Safety Recognition Program. This program, requested by producers, ensures a consistent national approach to food safety based on internationally accepted, science-based, risk-management systems.

These initiatives are best carried out in collaboration rather than in isolation. Close working relationships among governments, industry and academic partners are crucial to:

- identify and address knowledge gaps and improve co-ordination of research activities and technology transfer;
- deliver safe and healthy food in a sustainable manner;
- develop an integrated approach to animal-health risk management;
- recognize and certify food-quality systems to improve market success;
- facilitate industry adoption of on-farm Hazard Analysis Critical Control Points (HACCP) systems; and
- develop and implement traceability systems that follow products from primary production through to the end consumer.

MARKETS AND INTERNATIONAL

Expanding international opportunities for the Canadian agriculture and agri-food sector

The Canadian agriculture and agri-food sector, like other sectors of the Canadian economy, is both market-driven and market-oriented. The sector depends significantly on the international market. Therefore, integration of international and domestic activities is critical. AAFC's approach is designed to leverage domestic progress into

success on the global stage. Market success requires supply-chain co-ordination to meet consumer demands and create enhanced value through innovation. International-market readiness begins with domestic system integration to provide evidence that Canada is a world-leading supplier of safe, high-quality, environmentally friendly food.

Canadian producers and processors have established a strong reputation as efficient and reliable suppliers of safe, high-quality products. But in an increasingly competitive marketplace, the sector cannot be complacent.

Canada's competitors in the global marketplace are not standing still. They face the same challenges as Canada – that consumers are increasingly demanding innovative, convenient foods that taste great, and expecting more in the areas of food safety and quality, environmental responsibility and animal welfare. While the ability of our competitors to meet these demands varies, many can make the same claims as Canada.

To maintain global-market share and build new markets for growth, Canada needs to find new ways to stand out from the competition. In response, governments and industry are working together on a research-based strategy for branding Canadian agriculture and food products. The strategy goes beyond logos and marketing activities. It is designed to focus industry on what customers want from Canada, develop the strengths that can set us apart from the competition, and communicate these strengths in a consistent way.

Indeed, the international component of the APF builds on the sector's domestic strengths to ensure increased exports for Canadian agriculture and food products, and increased domestic-market share for Canadian products as well.

To achieve these goals, AAFC's integrated international strategy will concentrate on further moving Canada's agriculture and food sector forward in three key areas:

- gaining recognition;
- improving market access; and
- overcoming technical barriers.

Gaining Recognition

Branding the agriculture and agri-food sector will help gain recognition for Canadian products. At the centre of Canada's Branding Strategy is a national Brand Promise focused on APF pillars and based on buyer and consumer research studies in the United States, Mexico, Japan, and the EU. These studies indicate Canada is seen as a reliable supplier of safe, high-quality goods and as being trustworthy, environmentally savvy, competent, and credible.

In tandem with these research efforts, industry-led value-chain roundtables, which include participation by the CFIA, the CGC and other government departments and agencies as appropriate, are using market research and benchmarking studies to assess Canada's performance versus the competition in key markets. This research also serves to pinpoint the issues on which industry and government need to work together to improve.

Roundtables have been established for the beef, pork, cereal grains, oilseeds, special crops, horticulture, and seafood sectors. They bring together players from across the value chain – input suppliers, producers, processors, traders, retailers, the CFIA, the CGC, and others – to build a shared view of their sector's competitive position and a plan to improve it for the benefit of all players. Continuing to support roundtable strategy development is a key priority for the Department.

Planned Spending and Full Time Equivalent – Markets and International

2006-2007		2007-2008		2008-2009	
\$ millions	FTE	\$ millions	FTE	\$ millions	FTE
79.5	537	78.3	539	57.5	560

In addition to work on branding and the roundtables, AAFC is leading a trade promotion program capitalizing on a network of agri-food specialists posted abroad and enhancing its representation in the U.S. Strong linkages to industry, provinces, territories, and other federal departments will continue to promote Canada and Canadian products to foreign buyers. Success in export markets benefits the entire sector and contributes substantially to Canada's economic prosperity and positive balance of trade.

Improving Market Access

In addition to raising Canada's visibility and profile in the international marketplace, the Government of Canada will continue its efforts to press for a more level international playing field so that producers and processors can trade more effectively on the basis of their competitive advantage.

Canada will continue to actively participate in and work hard to influence the WTO agriculture negotiations in a way consistent with our objectives. In December 2005, WTO members, including Canada, participated at the 6th WTO Ministerial Conference in Hong Kong. The Ministerial Declaration adopted in Hong Kong reflected progress achieved in some areas which are important to Canada's agriculture and agri-food sector. While not as comprehensive or as ambitious as Canada would have preferred, the Declaration did provide scope for Canada to continue to pursue its objectives.

In July 2006, following intensive efforts by WTO members to reach agreement on detailed rules and commitments for agriculture, the WTO Doha negotiations were suspended. Key WTO members had been unable to resolve differences in their negotiating positions. While Canada was extremely disappointed at the impasse reached in the negotiations, the country remains committed to more liberalized trade, the rules-based multilateral trading system and the objectives of the Doha negotiations. Canada will continue to work with other WTO members to advance the Doha negotiations, if and when key WTO members are able to narrow the differences in their positions and move the Round forward. Canada's objectives at the WTO remain to seek the elimination of all forms of export subsidies, substantial reductions in trade-distorting domestic support and real and significant market-access improvements. Canada will also continue to defend its ability to make decisions domestically about how to market Canadian products.

The Government will complement its efforts at the WTO with regional and bilateral negotiations designed to promote and improve market access for Canadian exporters. The Department will continue to be engaged in negotiations toward free-trade agreements with Korea, the Central America 4 (CA-4: El Salvador, Guatemala, Honduras, and Nicaragua), the European Free Trade Association, Singapore, and the Free Trade Area of the Americas (FTAA), and potentially with others including CARICOM (Caribbean Community and Common Market), the Andean countries and the Dominican Republic. It will also continue to negotiate equivalency of the Canadian organic production system with the EU.

Through these multilateral, regional and bilateral negotiations, AAFC will continue to press for outcomes which would benefit Canada's entire agricultural sector. Importantly, in support of this objective, AAFC will also continue to assign high priority to consulting closely with provincial governments and with the full range of Canada's agri-food industry, with regard to Canada's approach to WTO and other international trade negotiations.

A key tool for successfully addressing various trade irritants will remain the effective use of trade-advocacy initiatives, supported, when appropriate, by the CFIA and the CGC. Better messaging and targeting of key influencers remain ongoing priorities in this regard.

Overcoming Technical Barriers

Although adherence to scientific principles is one of Canada's trade tenets, some countries trade requirements are not based on science. Such technical trade barriers can be disruptive to global trade. Accordingly, Canada is moving to address technical issues that critically impact market access.

AAFC is developing strong agri-food positions to influence policy decisions on technical issues and development of standards in a broad range of multilateral decision-making fora. The Department will work domestically and internationally, in close co-operation with other federal agencies and departments such as the CFIA, Environment Canada, Health Canada, and Foreign Affairs and International Trade Canada, to build informed positions and influence negotiations on key issues (e.g., Cartagena

Protocol on Biosafety, geographic indications and regionalization) and of trade-related arrangements such as mutual recognition agreements and training in inspection systems. AAFC will continue to engage industry and government partners on emerging issues such as labelling requirements, traceability, maximum residue limits, product attributes, and genetic resources.

BENEFITS FOR CANADIANS

While Canadians have achieved an enviable level of food security, the agriculture and agri-food sector is facing a host of pressures. Sustaining and enhancing the security of the food system will help cushion the sector against the impact of periodic downswings. Opportunities exist to greatly strengthen performance, increase profitability and provide stability for the sector.

Strategic Outcome 1: Security of the Food System

Program Activity: Business Risk Management (BRM)

Enhancing producers' capacity to manage risk, and increasing the sector's viability and profitability

Commitments 2006-2007

- work with provinces and industry to adjust BRM programs to better meet producer needs and changing market and production conditions, and to replace CAIS with distinct programs for agricultural income stabilization and disaster relief
- undertake thorough review of CAIS program to enhance its responsiveness and predictability, and to improve its delivery
- implement the amendments to the *Agricultural Marketing Programs Act* (AMPA) to expand coverage to include livestock and more crops, increase the limits on financial advances to producers and consolidate the existing SCAP and APP into one program
- implement Budget 2006 commitments to support farm families and farming communities through investments and more effective programming that better meets their needs and recognizes the circumstances they face

Expected Results

- producers better supported and able to manage business risks
- increased producer capacity to manage operations (cashflow) throughout the production year
- increased business planning and skills development among low income farm families
- increased sector viability and profitability

Performance Indicators

- level of variability of farm income over time
- level of sector farm income over time
- level of farm capital investments over time
- number of farm families involved in skills development and business planning activities

Program Activity: Food Safety and Quality

Minimizing the risk and impact of food-borne hazards on human health, increasing consumer confidence and improving the sector's ability to meet or exceed market requirements for food products, and provide value-added opportunities through the adoption of food safety, food quality and traceability systems

Commitments 2006-2007

- work with partners on a National Food Policy Framework, with particular attention on developing closer links between agriculture and health
- develop a national approach to guide implementation of animal and food traceability across the Canadian food supply chain
- work with partners to develop an integrated approach to animal health and welfare

Expected Results

- consumers confident about the safety and quality of food produced in Canada
- exposure to hazards reduced thereby protecting human health
- industry able to meet or exceed market requirements for agri-food safety and quality, including animal and plant health
- value-added opportunities for the sector through the adoption of food safety, food quality and traceability systems

Performance Indicators

- level of consumer confidence in the safety and quality of food produced in Canada
- level of exposure to agri-food hazards
- Canadian companies are meeting and exceeding market requirements for food safety and food quality, including animal and plant health
- level of marketplace expansion as a result of the adoption of Canadian food safety and quality systems, including animal and plant health

Program Activity: Markets and International

Expanding international opportunities for the Canadian agriculture and food sector

Commitments 2006-2007

- continue to participate in and work hard to influence the WTO negotiations in a manner consistent with our objectives
- continue to press for improved access to international markets, particularly with respect to cattle and beef
- increase Canada's trade advocacy efforts abroad
- manage trade policy issues related to WTO and foreign agriculture policies, as well as technical trade issues such as labelling and animal and plant diseases
- negotiate equivalency of Canadian organic production system with the EU
- continue negotiations on the Canada-Central America Four (CA4) Free Trade Agreement and the Canada-Korea Free Trade Agreement, and consider opportunities to pursue additional regional and bilateral trade negotiations
- review the Canadian regulatory environment to enhance the competitiveness of Canadian agriculture
- enhance the abilities of the Canadian food industry to produce high-quality food products while meeting current and future consumer needs

Expected Results

- increased exports of Canadian agriculture and food products
- increased domestic and foreign investment in Canada's agriculture and food sector
- increased domestic market share of Canadian agriculture and food products
- increased influence in the development and application of international rules, technical standards and policies governing the trade of agriculture products

Performance Indicators

- change in international market share of Canadian agriculture and food exports
- change in value of domestic and foreign investment in Canada's agriculture and food sector
- change in domestic market share of Canadian agriculture and food products
- extent to which international partners support Canada's positions at agricultural negotiating sessions and other multilateral fora

STRATEGIC OUTCOME 2: HEALTH OF THE ENVIRONMENT

An agriculture and agri-food sector that uses environmental resources in a manner that ensures their sustainability for present and future generations

INTRODUCTION

Maintaining access to agri-environmental resources is a common goal. Farmers, industry, governments, environmental organizations, and citizens must work together to achieve the goals of sustainable development to ensure both an economically vibrant agriculture and agri-food sector and a healthy environment.

Canadian farmers have shown they can be admirable stewards of the country's environmental resources. They already apply many good environmental

practices, which not only safeguard resources but also help boost the profitability of their operations. At the same time, it is clear that more must be done to conserve the environment. Further, consumers are increasingly basing their buying decisions on their desire to support environmental sustainability.

Working together under the APF, governments, producers and industry are looking to accelerate efforts to reduce production risks and impacts to Canada's resources, including air, water, soil, and biodiversity.

OPERATING ENVIRONMENT

Environmental stewardship is a priority for Canadians and consumers around the world. Indeed, the public both in Canada and abroad holds all sectors, including agriculture and agri-food, to high environmental standards.

To enhance their competitiveness in the global market place, Canadian producers have increasingly diversified, intensified and specialized their operations. The Government of Canada, through environmental programming, is taking steps with governments and the industry to mitigate the risks to the environment from agriculture and to position the agricultural sector to deal with the risks environmental factors may pose to production.

STRATEGIC RESPONSE

To achieve the Health of the Environment strategic outcome, AAFC has a suite of activities and initiatives in air, water, soil, and biodiversity that contribute to providing Canadian and international consumers with high-quality food that has been produced using environmentally sound crop and livestock management practices. This helps secure the sustainability of the Canadian agriculture and agri-food sector and the quality of environmental resources for present and future generations.

ENVIRONMENT

Achieving environmental sustainability of the industry by preserving the quality and availability of resources – air, water, soil, and biodiversity – for present and future generations

Defining Priority Areas

The APF sets out the areas where the federal government, in collaboration with the provinces, can provide leadership in environmental actions, including better knowledge and understanding of the links between agriculture and the environment. Through the APF, AAFC, provincial and territorial counterparts and industry organizations will continue to work toward achieving common environmental goals.

Similarly, the Government of Canada's commitment to develop and implement a new Made-In-Canada approach to addressing environmental challenges to ensure the health of Canadians and communities will provide a framework for AAFC's work toward addressing environmental challenges as they relate to the agriculture and agri-food sector.

A focus on domestic action is a key component of the Made-In-Canada approach, to help ensure Canadians can enjoy clean air, water and land. This is where the agriculture and agri-food sector can make a real difference.

As AAFC continues to implement the APF, supports the Government of Canada's environmental strategy and prepares for the next generation of agriculture and agri-food policy in 2008, it will work towards reducing environmental risks and impacts related to agricultural production in the following priority areas:

- **air** and atmosphere quality, with a focus on particulate emissions, odours and emissions of gases that contribute to global warming;
- **water** availability and quality, with a focus on nutrients, pathogens and pesticides;
- **soil** health, with a focus on soil organic matter and soil erosion caused by water, wind or tillage; and
- **biodiversity** and agriculture compatibility, with a focus on habitat availability, species at risk, and economic damage to agriculture caused by wildlife.

In contributing to these priority areas, AAFC will focus its efforts and resources on:


Innovative environmental policy and program options

- developing knowledge and technologies, raising awareness, forging collaborative partnerships, increasing decision making capacity, and providing effective mechanisms to encourage the adoption of beneficial management practices by the agriculture and agri-food sector;
- providing the knowledge and understanding necessary to link agricultural production to environment components thereby identifying targets for the development and adoption of beneficial management practices;
- continuing the implementation of integrated, multidisciplinary, scientific approaches to the development and adoption of beneficial management practices favouring producer competitiveness and environmental health;

Planned Spending and Full Time Equivalents – Environment

2006-2007		2007-2008		2008-2009	
\$ millions	FTE	\$ millions	FTE	\$ millions	FTE
331.4	1,914	275.1	1,920	158.5	2,023

- providing the technical and knowledge support to farmers that will contribute to a healthier environment and economic sustainability (including implementation and promotion of comprehensive environmental planning and beneficial management practices);
- improving and expanding agri-environmental indicators and policy development and integration to monitor and report progress and to identify new tools and mechanisms in support of the environment program activity of the Department;
- continuing to explore environmental certification as an on-farm policy option;

National Land and Water Information Service  implementation

- continuing to enhance the agricultural sector's land use decision making capacity by implementing the NLWIS;

Agriculture's interface with climate change initiatives

- continuing efforts to assist producers in reducing agricultural GHG emissions, including the implementation of beneficial crop and livestock management practices and the use of renewable energy sources such as biofuels and wind power;
- developing climate change scenarios for agriculture and improving prediction of the effects of associated stresses to crop production, thereby enhancing the understanding and awareness of climate change impacts and adaptation challenges and opportunities for the sector; and
- working with Natural Resources Canada and Environment Canada to develop a system for estimating and reporting emissions.

Taking Action on Priority Areas

AAFC will achieve results under each priority through four key areas.

Environmental Science

Acting on agricultural risks presumes a sound knowledge of the environment, and specifically of the relationship between agriculture and the environment. It is essential to understand the processes and mechanisms by which agricultural inputs, such as nutrients and pesticides, affect resources, such as air, water, soil, and biodiversity, under different agri-environmental landscapes and management practices. It is also necessary to understand the relations and interactions between the different components of

the agri-environment, to reduce the environmental footprint of pest management practices and to determine the outcome of agricultural inputs and wastes (e.g. manure) in the environment. Such an understanding is crucial for providing sound advice to policy makers and land resource and extension specialists on the effects of agricultural production on air, water, soil, and biodiversity.

The knowledge gained can be used to develop beneficial management practices and indicators of the state of the environment, and also applied toward the use of innovative environmental technologies, genetic resources and biological information by the sector. The activities of the Department's Environmental Health National Science Program include fundamental and applied research to develop knowledge and technologies that will minimize the impact of agricultural production on natural resources.

Environmental Stewardship

Agricultural risks to the environment will be best tackled through collaborative efforts of governments, producers and stakeholders. The Department, through the PFRA, delivers a comprehensive package of tools and services to encourage environmental stewardship.

Environmental Farm Plans help producers assess their operations and determine environmental risks and opportunities. The National Farm Stewardship Program helps producers address these risks by providing financial and technical support to adopt beneficial management practices. Greencover Canada complements these programs by targeting technical and financial assistance to more fragile forage, range land and riparian areas.

AAFC will continue to support sustainable land management in other ways, such as through the management of 2.1 million acres of native range land under the PFRA Community Pasture Program, and agro-forestry programs provided through the PFRA Shelterbelt Centre that help to prevent soil erosion, protect riparian areas, provide wildlife habitat, and sequester carbon.

There is a continued need for improving producer access to secure water supplies of acceptable quality, especially in an environment of climate change and variability. The National Water Supply Expansion Program provides technical and financial assistance for

on-farm and community infrastructure, and strategic studies to understand agricultural water supply and demand and evaluate new technologies. In particular, there are growing industry demands for sustainable irrigation development and management. The Department supports sustainable irrigation practices through applied research, demonstration and technology transfer conducted at PFRA irrigation centres in Saskatchewan and Manitoba.

Environmental Policy




The ongoing challenge under Environmental Policy involves improving and expanding agri-environmental indicators and policy development and integration to monitor and report progress. It also involves identifying new tools and mechanisms in support of the environment program activity of the Department. This means addressing agri-environmental policy issues, such as climate change, water, environmental goods and services, standards and certification in the broader contexts of rural landscapes, watersheds and ecosystems, and sustainable development, while acknowledging the positive impacts of producers on maintaining environmental quality.

National Land and Water Information Service



The NLWIS project was launched in 2005 to strengthen the capacity of land managers to make better decisions about land use.




The project is being implemented in phases over four years. It is a co-ordinated, national initiative providing access via the Internet to geospatial information and interpretive models that support local and regional land-use decision making. Through partnerships, the service will link the land-use, soil, water, climate, and biodiversity information that supports local and regional land-use decision making by federal, provincial, territorial and municipal governments, non-governmental organizations, and the private sector. This improved access to information will provide value to producers and other land-use decision makers. It will help provide the support they need to balance economic development and environmental sustainability. The information will form the basis for environmental farm planning, and help producers make decisions such as the kind of production a particular section of land will best support.

Highlights of agri-environmental activities

AAFC will continue to build its capacity together with provinces, territories and the industry to respond to the challenges of managing agri-environmental issues. Efforts will continue to focus on the application of science to develop beneficial agricultural management practices; the development of information, knowledge and skills; and the means to assist Canadian producers to improve environmental performance and economic competitiveness through action on their farms. APF environmental initiatives, including Environmental Farm Planning , the National Farm Stewardship Program  and Greencover Canada , will be delivered in collaboration with the provinces and producer groups.

Some pertinent activities and initiatives worth highlighting include:

- the National Agri-environmental Health Analysis and Reporting Program , to enhance AAFC's capacity for developing and improving science-based agri-environmental indicators and policy tools;
- the Gaps initiative, now in its third of five years, to address gaps in knowledge through research on the impact of intensive livestock and cropping systems;
- AAFC strategies in air, water, soil, and biodiversity to help provide guidance in responding to the key risks and opportunities for the agriculture and agri-food sector, and ensuring these strategies contribute to the Government of Canada's broader goal to ensure the health of Canadians;
- the Watershed Evaluation of Beneficial Management Practices , a multi-partner project designed to evaluate the effects of beneficial management practices on water quality at a watershed scale;
- AAFC's Pest Management Centre (PMC) is working with farmers, pesticide companies, the provinces and other stakeholders to facilitate better access to safer, newer, pest-management technologies. The PMC operates two programs to enhance the environmental stewardship and competitiveness of Canadian farmers:

- The Pesticide Risk Reduction Program , a joint initiative with Health Canada's Pest Management Regulatory Agency , to help producers to develop commodity-specific pesticide risk-reduction strategies, and provide support for implementing these strategies; and
- The Minor Use Pesticides Program , which supports the introduction of reduced-risk minor-use products that pose a lower risk to human health and the environment. The program provides funding to screen reduced-risk products which could potentially be candidates under the program, and develops new or novel application technologies. As well, the program conducts research needed for risk assessment in support of regulations. The program will provide benefits to Canadian producers, the environment and consumers by focusing on:
 - making minor use pesticide products, with emphasis on reduced-risk products, more readily available;

- working on joint projects with the United States in an effort to have newer, safer products available in both countries simultaneously; and
- providing Canadian producers with access to new pest-management technologies to improve their competitiveness domestically.

BENEFITS FOR CANADIANS

Environmental stewardship of air, water, soil, and biodiversity by agricultural producers will contribute to a healthy environment for all Canadians. A healthy environment is crucial to the sustainability and profitability of the agriculture and agri-food sector, a key component of the Canadian economy. AAFC activities and initiatives, in partnership with provinces, territories, municipalities, industry, and producers, will contribute to a secure future for the sector, a healthy environment and quality of life for all Canadians.

Strategic Outcome 2: Health of the Environment

Program Activity: Environment

Achieving environmental sustainability of the industry by preserving the quality and availability of resources – air, water, soil, and biodiversity – for present and future generations

Commitments 2006-2007

- explore innovative policy and program options for next generation of agriculture and agri-food policy to achieve environmental goals, including environmental certification
- continue implementation of the National Land and Water Information Service
- manage agriculture's interface with the Government of Canada's environmental priorities
- pursue research to increase our knowledge of the interactions between agriculture and the environment, especially in the area of soil, water and air quality, biodiversity, and Integrated Pest Management, and use this knowledge to develop management practices bearing low environmental footprints

Expected Results

- **air:** reduced agricultural risks and improved benefits to the health of air and the atmosphere, with key priority areas being particulate emissions, odours, and emissions of gases that contribute to global warming
- **soil:** reduced agricultural risks and improved benefits to the health of soils, with key priority areas being soil organic matter and soil erosion caused by water, wind or tillage
- **water:** reduced agricultural risks and improved benefits to the health and supply of water, with key priority areas being nutrients, pathogens, pesticides, and water conservation
- **biodiversity:** ensured compatibility between biodiversity and agriculture, with key priority areas being habitat availability, species at risk, and reduction of economic damage to agriculture from wildlife

Performance Indicators

- share of farmland at different levels of residual nitrogen and phosphorus
- share of farmland at different levels of risk of water contamination by nitrogen
- share of cropland at different levels of risk of soil erosion by water
- rate of change in organic carbon levels in agricultural soils
- level of agricultural emissions of gases that contribute to global warming
- the proportion of habitat use units for which habitat area has increased, remained constant or decreased
- increased access to authoritative data via the National Land and Water Information Service
- increased accuracy and currency of data
- increased content and coverage of data

STRATEGIC OUTCOME 3: INNOVATION FOR GROWTH

An innovative agriculture and agri-food sector that develops food and other agriculture-related products and services in order to capture opportunities in diversified domestic and global markets

INTRODUCTION

Increasingly rapid advances in science and technology mean producers and other industry stakeholders face greater challenges to keep pace. All players in the sector – from primary producers to value-added processors – operating in the marketplace today require access to state-of-the-art technology combined with the latest knowledge to help them address rapidly changing consumer needs and expectations. More than ever, keeping on top of change is key to profitability.

As farming operations become larger and more complex, both new and established producers need to add to their skills and knowledge, ranging from managing financial and human resources to mastering innovative technologies, products and practices to stay competitive. By acquiring additional skills, adopting new technologies, maximizing efficiencies in operations, or changing product mixes, those who earn their livelihoods in the Canadian agriculture and agri-food business will continue to be successful in the 21st century.


To a large degree, the competitive position of Canada's agriculture and agri-food sector will depend on all stakeholders – including producers, processors, researchers, etc. – working closely to develop new opportunities across the country. At the same time, governments will work with industry to foster a climate for innovation that encourages investment in the sector.

OPERATING ENVIRONMENT

As mentioned previously, the agriculture and agri-food sector operates in an uncertain business environment, facing pressure from a variety of risks. There are production risks, including adverse weather, and pests and diseases of crops and livestock. Market risks include increasingly stringent consumer expectations

and standards for food safety and quality, environmental performance, restrictions to market access in other countries, and fluctuating exchange and interest rates that impact farm income and farm debt. There are also competitive risks, including those related to rapidly changing science and technology and increasing competition from both developed and developing countries.

As the sector expands, the scope and nature of the pressures it faces are becoming more varied and complex, requiring collaboration along the value chain from inputs through production, processing, distribution, and marketing. More and more, these pressures require multi-disciplinary solutions through co-ordinated and integrated action by a variety of stakeholders.

Value-chain roundtables, which include participation from the CFIA , will be instrumental in helping to identify these pressures and develop solutions to build and implement sector-specific market strategies and action plans in line with the Canada Brand.

STRATEGIC RESPONSE

To achieve the Innovation for Growth strategic outcome, and make Canada a world leader in developing food and other agricultural products and services that capture diversified opportunities in home and overseas markets, AAFC will work primarily through two departmental program activities: 1) Innovation and Renewal and 2) Markets and International.

The Department is committed to ensuring that priorities identified by participants in the value-chain roundtables, including the CFIA, regarding policies and programs are factored into its planning and decision making. Resources will be directed to the right initiatives. In this way, AAFC is helping create the environment for a profitable and viable sector and strong rural and remote communities.

The Department is also expanding its linkages with the health community as perceptions regarding the role of food have changed with the mounting research demonstrating diet as a risk factor in chronic diseases, including cardiovascular disease, hypertension, type II diabetes, and cancer. Exploring the intersection

between agriculture and health and wellness will stimulate the development of innovative food products and agricultural ingredients that may be seen as a major contributor to health and a potential solution to rising healthcare costs associated with elevated rates of chronic disease.

In support of the future competitiveness and prosperity of the sector, Budget 2006 included a commitment to invest in ongoing measures, including new investments in biomass science and funding in support of a biofuels strategy, and new programming to support the sector in developing new market opportunities. In recognition of their unique challenge, the Government of Canada is also putting in place measures to help low-income farm families.

INNOVATION AND RENEWAL

Equipping the industry with new business and management skills, bioproducts, knowledge-based production systems, and strategies to capture opportunities and manage change

Innovation

Agriculture has always been propelled by science and technology, but recent innovations and advances have transformed the sector more than ever before. Rapidly progressing fields such as biology and chemistry, combined with the ever-increasing power of new information and communications technologies, have fueled significant growth in the bioeconomy. Innovation and scientific advances will lead to enhanced capabilities in the molecular design of customized food and non-food products from agriculture and the bioresource base. This will create product and market opportunities that are differentiated to a far greater degree than is feasible today.

To become a world leader, the Canadian agriculture and agri-food sector must be at the forefront of innovation. Accordingly, science is being recognized as

a key component of the next generation of agriculture and agri-food policy. Science will support a Canadian agriculture and agri-food sector that is innovative and competitive, where all partners work together to be a world leader in the production of food and other agriculture-related products and services that meet global consumer needs in ways that respect the environment and contribute to the best quality of life for all Canadians.

In the autumn of 2005, AAFC reviewed its science priorities and held a series of cross-country consultations with communities, stakeholders, industry representatives, provincial and territorial governments, universities, and research institutes to seek feedback and advice on key science and research priorities and strategies to maximize returns from science investments. Results of these consultations will form the basis for AAFC's new Science and Innovation Business Plan for 2006-2010 and help guide the direction of the Department's resources and research efforts to maximize opportunities in the global marketplace, resulting in increased profitability through growth, diversification and value-added activities.

The Science and Innovation Business Plan will include:

- a vision for the sector, identifying challenges and opportunities;
- the science capacity required;
- the role of the various players performing agricultural science and innovation research;
- AAFC's research priorities in support of the vision for the sector and national priorities; and
- areas where partnership opportunities exist to establish critical masses of expertise and multidisciplinary research clusters.

Planned Spending and Full Time Equivalents – Innovation and Renewal

2006-2007		2007-2008		2008-2009	
\$ millions	FTE	\$ millions	FTE	\$ millions	FTE
572.2	1,947	599.1	1,938	271.9	2,095

It is clear from the feedback received throughout the consultations that future challenges will require strengthening overall national science and innovation capacity by positioning and integrating AAFC science resources and research efforts within a national frame of multi-disciplinary, multi-player partnerships that cross jurisdictional, disciplinary and institutional boundaries. Bringing supply-chain participants together to form value chains that use transformational research to redefine the business of agriculture will position producers and the sector to take advantage of new economic opportunities and capture new markets.

Therefore, a key part of AAFC's Science and Innovation Business Plan will be the development of a partnership strategy, designed to explore collaboration among the various players involved in research and development. This strategy will examine ways to make the best use of buildings, equipment and the skills and knowledge of Canada's science community.

AAFC will take the lead on public agricultural research that is critical to the nation and where the Department has a unique capacity or leadership position.

Some of the Department's agricultural research is more or less location-independent and in these situations, AAFC will concentrate its activities at research hubs with significant capacity and infrastructure.

Other research is more location-dependent and AAFC will make extensive use its network of facilities to deploy research activities at more than one site to create national critical mass and infrastructure aligned with the needs of the producers.

AAFC will work in partnership on public agricultural research that is important to the nation, but where universities or other federal departments have significant capacity or leadership position, AAFC will integrate its research activities with those of universities and other federal departments through various models of co-location, partnerships and alliances. In so doing, AAFC will contribute to the establishment of critical mass of researchers, synergies or efficiencies. Examples of ongoing discussions in this regard include:

- **Charlottetown** with the National Research Council and the University of Prince Edward Island on nutraceuticals;

- **Winnipeg** with the St. Boniface Research Hospital and the University of Manitoba on nutraceuticals and with the CGC and the Canadian International Grains Institute on grain research;
- **Saskatoon** livestock germplasm with the University of Saskatchewan; and
- **Summerland** and **Agazziz** with the University of British Columbia on collaborative and integrated agricultural science programs.

AAFC will establish regional and national science and research consultation mechanisms to ensure ongoing relevance of research efforts with the strategic priorities of the sector and the government. AAFC will continue to work in co-operation with the value-chain roundtables, which include the CFIA, and other vehicles to enhance co-ordination in support of accelerated adoption and commercialization of scientific and technical knowledge leading to improved economic opportunities for the sector and rural communities.

AAFC's consultations confirmed the need for national consultation, co-ordination and co-operation among science providers. The Department will engage Canadian stakeholders to participate in the development of a mechanism that would provide leadership in building integrated national agriculture science and innovation research capacity for Canada. This mechanism will help provide advice on research priority setting and research planning for the Canadian agriculture and agri-food sector, and facilitate the development of multi-stakeholder partnerships to address national research priorities. It will also: provide advice on strategic national agriculture and agri-food science capacity requirements (infrastructure, equipment, skills, funding) to support the vision for the Canadian agriculture and agri-food sector now, and in the future; identify strategic gaps in national science capacity; and facilitate the development of integrated national science capacity for the Canadian agriculture and agri-food sector.

Activities specific to Innovation will be carried out through research and development of two of the National Science Programs: 1) Sustainable Production Systems and 2) Bioproducts and BioProcesses.

An Innovation and Renewal Policy and Strategy will enable an integrated approach to innovation and renewal policy through consultations with government, industry and other stakeholders in designing and implementing the policy.

AAFC is working collaboratively and in partnership with other science and research providers to explore the more efficient use of farm-based feedstocks for ethanol and biodiesel production and the use of waste products to generate methane gas for energy production to support the development of biofuels. This is a key element of the energy, environmental and economic agenda for the Government of Canada. In the longer-term, integrating biofuels production into biorefinery processes that produce fuels and a variety of high-value co-products from biomass, will create improved economic opportunities for farmers and the agriculture and agri-food sector while addressing energy and environmental goals at the same time. Such integrated production and processing solutions will provide a solid basis for sustainable sector growth and economic development opportunities for rural communities.


Initiatives in the areas of bioproducts and bioprocesses represent a snapshot of the efforts of AAFC as a science organization serving the sector by working to meet the demands of a highly segmented world market and by adapting as demands change. Implicit in achieving this goal is the need to be on the cutting edge of new scientific disciplines and tools as they develop.

Renewal



In a rapidly changing environment, strategic business planning and continuous learning are increasing in importance. Strategic planning, lifelong learning and upgrading skills can strengthen the performance of individual agricultural operations, and the industry as a whole. Using a variety of management skills and practices to assess their situation, define goals and implement change, Canadian producers can positively influence their financial performance.

Built on the concept of continuous learning, renewal programming helps producers assess their situation and plan for the future during critical transition times. Renewal programs enhance producers' access to information, advice and training and enable them to pursue on- and off-farm income opportunities, helping to make it possible for the family to remain on the farm.

AAFC ensures producers have access to public and private sector programs and services that will help them achieve their individual goals. These programs and services help producers acquire the requisite knowledge, tools and opportunities to upgrade management and technical skills and develop the necessary skills to pursue alternative income opportunities should they choose to move out of farming. They also help producers assess the performance and potential profitability of their farm business enhance their ability to make business management decisions and explore and develop market opportunities.

During the next three years, AAFC will continue to work strategically with partners in the sector, including FCC , to identify the new skills and learning opportunities that producers need to succeed in the increasingly knowledge-intensive economy. Priorities will include finding improved ways to provide farm families with the assistance needed to enhance their skills and knowledge and expand access to tools, advice and information.

The Department, together with industry and government partners, offers a variety of programs and services to help producers acquire the skills they need to adapt to rapid business changes.

- Producers will continue to have access to the five-year Canadian CFBAS . The CFBAS has two components: Farm Business Assessment and Specialized Business Planning Services. These services provide farmers with access to financial consultants who help them assess their finances and develop action plans and in-depth business plans (that may cover finances, marketing, expansion and diversification) and succession plans. Farmers interested in developing value-added businesses can use the PAVE  program services.

- Benchmarking is geared to providing information to help farmers make decisions about their business operations. Farmers will have continued access to information resources such as Web sites that provide benchmarks to help them compare their performance to that of other operations.
- Skills and Learning activities provide support to organizations focused on helping producers develop their skills and knowledge in the sector. These activities include exploring partnership opportunities (FCC and the Association of Canadian Community Colleges), providing input into development of an agriculture human resources council (Canadian Federation of Agriculture, Human Resources and Social Development Canada), and helping provide information through the Canadian Farm Business Management Council, Canadian 4-H Council, Canadian Outstanding Young Farmers Program, Canadian Young Farmers Forum, and Canadian Agricultural Safety Association.
- The CASS  provides beginning farmers and established producers with lower incomes access to training designed to help them make choices about their future and enable them to pursue income opportunities both on and off the farm. Through the program, producers will continue to be able to access assistance for skills development and training that could result in higher on- or off-farm income.
- Capturing Opportunities from Science and Innovation  is designed to improve the profitability of the sector by helping farmers pursue opportunities arising from advances in science and innovation. Renewal provides funding to the Canadian Farm Business Management Council (CFBMC), which disseminates, through its Web site, information on opportunities arising from science and innovation. In co-operation with AAFC, the provinces and territories are undertaking the initiatives to realize commercial opportunities arising from advances in science (e.g., feasibility studies, partnerships). PAVE support for feasibility studies and business planning has the potential to capture opportunities from science.
- Access to Capital is focused on increasing private sector investment and improving producers' chances of obtaining financing for proposed farm and other agri-business projects. Facilitating access to capital is supported through feasibility assessment, business planning and financial action plan components of the CFBAS programs. A baseline study was conducted on access to capital. Input was provided into the review of FIMCLA the program to cover the possibility of providing loan guarantees to beginning farmers. Provinces and territories have developed information on investment opportunities in the agriculture and agri-food sector.
- Producers will continue to be able to access the services of qualified financial counselors to prepare financial reviews and recovery plans for farming operations, through the Farm Debt Mediation Service . Qualified mediators are also available to assist in negotiations between producers and creditors to help them arrive at a mutually satisfactory arrangement.

During the next three years, AAFC will continue to work strategically with the sector to identify the new skills and learning opportunities needed to succeed in the increasingly knowledge-intensive economy. Priorities will include finding improved ways to provide farm families with the assistance needed to enhance their skills and knowledge and expand access to tools, advice and information. Through partnerships with CFBMC, the 4-H Council and the other organizations listed above, and through increased promotion of Renewal programs services, AAFC will continue to make farm business management information and tools more widely available.

The ACAAF Program

Launched in April 2004 as a successor to the Canadian Adaptation and Rural Development (CARD) Fund, the ACAAF program continues CARD's innovative and co-operative approach to funding projects at the national, multi-regional and regional level. This grassroots delivery structure provides greater responsibility and accountability to industry in responding to the needs and issues of the agriculture and agri-food sector at the local, regional and multi-regional level identified and carried out by the sector.

The objectives of the ACAAF program are to:

- expand the sector’s capacity to respond to current and emerging issues;
- position the sector to capture market opportunities;
- engage the sector to contribute to future agricultural and agri-food policy directions; and
- integrate sector-led projects tested and piloted under the ACAAF program into future federal, provincial and territorial government or industry initiatives.

The ACAAF program is delivered under the following three *pillars*, which were confirmed through extensive consultation with industry:

Pillar I: Industry-led Solutions to Emerging Issues, supporting projects that test or pilot approaches and solutions and acting as an incubator for projects that hold promise for setting the direction of future policy or program approaches;

Pillar II: Capturing Market Opportunities by Advancing Research Results, supporting projects that transfer research results into market opportunities; and

Pillar III: Sharing Information to Advance the Sector, supporting projects aimed at market and trend analyses and at gathering, analyzing and sharing information that contributes to future agricultural and agri-food policy directions.

The ACAAF program complements the objectives set out under the APF and will further advance progress toward its goals by engaging stakeholders in undertaking new activities that complement existing programming. The program also encourages the sector to contribute to future agriculture and agri-food directions. In 2006-2007, the ACAAF program will be used to respond to new needs identified by the sector, such as biosecurity.

MARKETS AND INTERNATIONAL

Expanding international opportunities for the Canadian agriculture and agri-food sector

Canada is a world leader in exports of agriculture and food products, shipping more than \$25 billion worth of products each year to more than 180 countries around the world. The country is the world’s fourth-largest agriculture and food exporter, after the European Union, the United States and Brazil.

However, global competition is intensifying, meaning Canadian producers and processors must continually innovate to stay ahead of their competitors in meeting market demands. Through the APF, Canada is building on its existing reputation as a premium food supplier, giving customers around the world even more reason to buy Canadian products.

The goal of AAFC’s international strategy is to use improvements in food quality, safety and environmental sustainability to maximize global sales for Canadian producers and processors. This strategy is based on certain key principles: leveraging domestic program development to maximize international reputation and market access; linking all research and analytical work to create a comprehensive understanding of market opportunities and challenges; engaging industry continuously and through new relationships to ensure maximum effectiveness of programming; and working closely with portfolio partners, such as the CDC and the NFPC, other government departments and provinces to ensure that international approaches are cohesive and effective.

The strategic objectives of the international component are two-fold: to achieve greater recognition, at home and abroad, of Canada’s world-leading capacity to meet the demands for quality in a rapidly changing and highly segmented global market; and to expand the industry’s access to foreign markets. AAFC will continue to work closely with industry and provincial and territorial stakeholders.

Planned Spending and Full Time Equivalent – Markets and International

2006-2007		2007-2008		2008-2009	
\$ millions	FTE	\$ millions	FTE	\$ millions	FTE
34.1	230	33.6	231	24.6	240

Over the next three years, AAFC's Markets and International efforts will:

- continue implementing the Branding Strategy and work to ensure widespread integration of the Brand Promise into the work of the Department and industry;
- continue to support the development of sector-specific strategies for market success through the industry-led value chain roundtables;
- maximize and capture opportunities in both domestic and international markets;
- maximize investment potential of the Canadian sector by addressing policy issues that affect the investment climate and by capitalizing on our research and development capacity;
- provide technical and international development assistance to developing countries on agriculture and food-related issues; and
- strengthen international market and development relationships through initiatives such as the Canada-China Agriculture Development Program.

The Markets and International component of the APF contributes to the Innovation for Growth strategic outcome mainly through two of the key areas of the International Strategy: Building Markets and Increasing Investment; and Enhancing International Development and Fostering Science and Technology Linkages. The remainder of the key areas contribute primarily to the Security of the Food System strategic outcome and have been discussed under that outcome.

Building Markets

Significant progress has been made on implementing a strategy for branding Canadian agriculture and food. Key industry leaders and federal and provincial agriculture ministers have endorsed the national Brand Promise that serves as the strategy's backbone. Visuals and messaging to serve as the public face of the brand have also been finalized.

The focus will now be on the implementation of the strategy. A branding guide and a Web site are being developed and an aggressive outreach campaign is being planned to take these tools out to industry.

Industry-led value chain roundtables, which include the CFIA, are also playing an important role in helping implement the branding strategy sector by sector. In many cases, the roundtables are building sector-specific branding strategies to work in concert with the overall Canada branding effort.

Additional initiatives to build markets include:

- marketing strategies that integrate promotion, advocacy and technical work aimed at key markets;
- technical marketing assistance to industry sectors; and
- a focus on emerging markets such as India and China.

Increasing Investment

Investment is essential in creating new jobs, driving the growth of exports in agriculture and food products and creating innovation in value-added production.

Promoting Canada as a preferred location to do business is therefore a critical component of AAFC's international activities. Accordingly, AAFC will continue to maximize investment potential of the Canadian agriculture and agri-food sector by addressing policy issues that affect the investment climate and by capitalizing on our research and development capacity.

AAFC's Investment Secretariat works with the provinces, territories and Foreign Affairs and International Trade Canada to raise awareness among potential investors of Canada's investment advantages.

Enhancing International Development

Canada's agriculture and agri-food sector has a long history and extensive capabilities in adapting to the constantly changing global agricultural economy. To help share this expertise with developing and transitional economies, AAFC has developed the International Development Strategy (IDS).

The Canadian agriculture and food partnerships of private sector industry, academic and research institutions, non-governmental organizations, governments, and the Canadian International Development Agency (CIDA), are working with developing and transitional economies around the world on: trade-related technical assistance and

business risk management; food safety and quality, including biotechnology management; and innovative and environmentally sustainable farm production practices.

AAFC will further advance Canadian interests through international development by working with developing countries on solutions to agricultural problems that cross national boundaries, such as desertification and food-borne diseases. Canada also co-operates with developing countries on issues of shared concern through such organizations as the Food and Agriculture Organization and the Inter-American Institute for Cooperation on Agriculture.

In support of the International Development Strategy, AAFC is implementing the China-Canada Agriculture Development Program (CCADP), which is fully funded by CIDA. The CCADP is composed of two five-year projects for which AAFC is the Canadian Executing Agency: Small Farmers Adapting to Global Markets and Sustainable Agriculture Development, each funded with \$20 million from CIDA and matching support from the Chinese government.

This program is being delivered with the assistance of many Canadian partners including the private sector, commodity associations, universities, provincial governments and other federal government departments and agencies such as the CFIA. AAFC signed an Inter-Departmental Administrative Arrangement with the CFIA in 2006 wherein the agency agreed to deliver at least five training courses for the program this year in Canada: Executive Management Training, three-month Practical Attachments and training on Handling Food Safety Crises, Nutritional Labelling and Food Recall.

Fostering Science and Technology Linkages

Canada must broaden international science and technology work to enhance its knowledge-base and help to bridge the gap between domestic innovation and international commercialization.

The Department will continue to provide science expertise to support Canada's markets and trade, address needs of developing countries and to brand Canada for its scientific excellence (e.g., OECD countries, genomics and scientist exchanges).

The CAFE Program

Launched in March of 2003 to replace the Agri-Food Trade Program, the CAFE program features a range of activities aligned with the objectives of the APF. The program supports industry associations to deliver on long-term international strategies to gain and expand international recognition for Canada and enhance market opportunities for Canadian agriculture and food products.

Funding under the CAFE program for branding and market development initiatives give industry partners the ability to establish generic, industry-wide brands within and across product and commodity groups. These industry brands will help brand Canada around the world by promoting Canada's superior safety and quality standards, to meet market demands for these attributes.

BENEFITS FOR CANADIANS

The rapid advances in science and technology present opportunities for increased prosperity and security in the Canadian agriculture and agri-food sector. Science and technology efforts will contribute to farm incomes being more stable and support an expanded agriculture and agri-food sector presence in the country's economy and in the lives of all Canadians. While science enables the economic gains, renewal programs help producers keep pace with the rapid changes and benefit from the opportunities available within and outside the sector. Markets and international activities contribute to the vitality of the sector through branding Canada as a leader not only in innovative products, but also in meeting or exceeding consumer expectations regarding food safety and quality, and stewardship of the environment. They will also provide a secure and profitable climate for foreign investment and partnerships with Canadians.

Strategic Outcome 3: Innovation for Growth

Program Activity: Innovation and Renewal

Equipping the industry with new business and management skills, bioproducts, knowledge-based production systems and strategies to capture opportunities and manage change

Commitments 2006-2007

- develop and implement AAFC's Science and Innovation Business Plan
- build integrated national science capacity
- develop regional and national science and research consultation mechanisms and partnerships
- participate in the development of the Government of Canada's Science Policy Framework
- work strategically with the sector to identify new skills and learning opportunities needed to succeed in the increasingly knowledge-intensive economy

Expected Results

- increased market opportunities for the agriculture and agri-food sector
- Canadian farmers optimize their businesses through renewal programming and services
- utilization of advances in value-added research that enable farmers, processors, rural communities, and service providers to differentiate their products and services
- Science and Innovation Business Plan that integrates national science and innovation capacity for the agriculture and agri-food sector
- utilization of advances in innovative production systems
- innovation programming strengthened due to enhanced linkages within and between science and innovation community and the agriculture and agri-food value chain
- utilization by the agriculture and agri-food sector of advances in crop genetic advancement
- enhanced and integrated approach to Innovation and Renewal Policy

Performance Indicators

- number of domestic and world agri-food opportunities created
- increased contribution of bioproducts and value-added agricultural products to GDP and rural employment
- increased farm family income and net farm income trends
- customer attitudes towards Canadian products and innovation
- Science and Innovation Business Plan created and implemented

Program Activity: Markets and international

Expanding international opportunities for the Canadian agriculture and agri-food sector

Commitments 2006-2007

- continue implementing a national strategy for branding Canadian agriculture and food
- continue to support the development of sector-specific strategies for market success through the industry-led Value-Chain Roundtables
- continue to take advantage of new and existing export opportunities
- maximize investment potential of the Canadian agriculture and agri-food sector
- implement international market engagement, international development and international scientific co-operation strategies

Expected Results

- increased exports of Canadian agriculture and food products
- increased domestic and foreign investment in Canada's agriculture and agri-food sector
- increased domestic market share of Canadian agriculture and food products
- increased recognition of Canadian products and capabilities

Performance Indicators

- change in international market share of Canadian agriculture and food exports
- change in value of domestic and foreign investment of Canadian agriculture and food
- change in domestic market share of Canadian agriculture and food products
- change in recognition of Canadian products and capacity

HORIZONTAL INITIATIVES

AAFC'S HORIZONTAL INITIATIVES

A “horizontal initiative” is an initiative in which partners, from two or more organizations, have agreed under a formal funding agreement (e.g. Memorandum to Cabinet, Treasury Board Submission, federal-provincial agreement) to work toward the achievement of shared outcomes.

The objective of reporting on horizontal initiatives is to provide Parliament and the Canadian public and government with an overall picture of public spending and results achieved by departments working together.

Horizontal initiatives reported here are led by AAFC and have been either allocated federal funds that exceed \$100 million (counting all federal partners) for the duration of the program, or allocated less than \$100 million in federal funds but still considered key for the achievement of government priorities, or have a high public profile.

Following is a summary list of horizontal initiatives for 2006-2007. More complete information on each initiative, including planned spending by our federal partners, is available on the Treasury Board Secretariat's Horizontal Results Database: <http://www.tbs-sct.gc.ca/est-pre/estime.asp>.

Horizontal Initiative Information for 2006-2007

1. Production Insurance
2. Canadian Agricultural Income Stabilization program
3. Bovine Spongiform Encephalopathy Recovery Program (federal/provincial agreement)


4. Farm Business Services
5. Canadian Agricultural Skills Services
6. MOU with Health Canada on Food Safety and Quality and Environment
7. MOU with Canadian Food Inspection Agency on Food Safety and Quality
8. AAFC – Department of Foreign Affairs and International Trade MOU on Agri-Food Specialists
9. MOU with Environment Canada on the National Agri-Environmental Standards Initiative
10. Rural Development
11. Co-operatives Secretariat

RURAL AND CO-OPERATIVES SECRETARIATS

RURAL DEVELOPMENT

Introduction

Rural Canada makes a valuable contribution to Canada's economy. Approximately 21 per cent of the country's population lives in rural, remote and northern communities.

Since 1996, the federal government has recognized the importance of addressing rural issues. It affirmed this by creating the Canadian Rural Partnership (CRP)  to co-ordinate federal government action in rural Canada.

The CRP, administered by AAFC's Rural Secretariat , co-ordinates a government-wide approach for rural policy and program development and implementation. This approach addresses the challenges and issues of rural Canada through partnership initiatives among federal departments and agencies, other levels of government and rural stakeholders.

Planned Spending and Full Time Equivalents – Rural and Co-operatives Secretariats

2006-2007		2007-2008		2008-2009	
\$ millions	FTE	\$ millions	FTE	\$ millions	FTE
23.7	94	20.0	94	4.7	94

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, often related to globalization.

While there are indications of a strong rural economy, significant challenges remain. Rural employment is growing slower than employment in urban Canada, and unemployment remains higher. Diversification and value-added growth is occurring, but much of the rural economy remains reliant on slower-growth, traditional, primary-sector industries – industries crucial to the Canadian economy as they account for 40 per cent of total exports and 24 per cent of the country's GDP. On the social front, access to education and health care and the number of youth leaving rural communities are major challenges facing rural and remote areas.

Significant regional and local differences exist across rural Canada. Remote and northern communities face very different realities from those of communities in Canada's heartland or near larger metropolitan areas. These differences cannot be ignored when responding to the challenges facing rural and remote communities.

Strategic Response

Since its inception eight years ago, the CRP has been gathering momentum and support through its partnership initiatives with federal, provincial and territorial governments as well as other rural stakeholders.

During the next fiscal year, the Rural Secretariat will draw on its wide base of stakeholders to ensure that the rural voice continues to be heard, to enhance collaboration within the federal government, with other levels of government and with rural stakeholders, and to develop evidence-based knowledge for informed decision making, helping focus federal, provincial and territorial efforts on the viability and sustainability of rural communities.

Strong rural voice

The engagement of citizens, stakeholders and networks has been undertaken to ensure a citizen-centred approach to rural development and to respond to rural concerns.

Since the CRP's launch in 1998, a variety of mechanisms have been used by the Rural Secretariat to strengthen citizen engagement and influence public policy development at all levels of government. Rural Dialogue activities (workshops, surveys and conferences) involving over 17,000 citizens from rural, remote and northern regions have been held across the country. This forum for reaching out to citizens has been beneficial to both citizens and government.

Rural Dialogue activities will continue to engage rural citizens and stakeholders, giving them opportunity to provide the federal government with feedback about their priorities and what they need to prosper. In the coming year, the Rural Secretariat will implement a citizen and stakeholder engagement strategy that includes pan-Canadian and regional components to address citizen, stakeholder and government priorities. It will also continue working on rural youth engagement through the National Rural Youth Network, which is a forum for rural youth to exchange information and ideas about the issues they face.

The Rural Secretariat will continue to support the development of regional co-ordinating organizations which allow rural Canadians to learn from one another, undertake activities, connect with others across the country, and share information and perspectives on issues of importance to rural Canadians.

Working in partnership with other departments and agencies, the Secretariat will also take more deliberate action to ensure that government initiatives are communicated to rural citizens in a way that highlights their impact on their way of life.


More informed decisions by governments and rural communities through evidence-based research and analysis and improved accessibility of information

The Rural Secretariat's research and analysis work will complement the knowledge gained from citizen engagement activities and provide evidence-based data to inform the policy development process. A key part of this work will be identifying and undertaking research and analysis to establish baseline data, measure change and identify key issues in areas of importance to rural Canadians.

The CRP will continue building and maintaining research networks. The National Rural Research Network will be used as a mechanism to raise the profile and awareness of rural research and the application of research results in rural areas, and will continue to work with other departments and research partners on studies and reports such as the *Rural and Small Town Canada Analysis Bulletin*.

The Models Program will test approaches to rural development and community capacity building. Evaluations will be conducted to identify gaps and to determine whether or not it is beneficial to extend some of the models beyond 2007-2008. The Secretariat will continue to work with partners to explore other areas where programs can support rural communities.


The Secretariat will work towards the development of a collective base of knowledge and information to support informed decision making by governments and communities. It will launch the Community Information Database, a Web-based tool that will provide communities and governments with consistent, reliable and accessible information on economic and demographic factors and indicators at the community level. The information will be complementary to what is already provided by individual provinces and territories.

Finally, research information will continue to be available through the rural Web site at www.rural.gc.ca, the Canadian Rural Information Service , and Rural and Remote Canada Online at www.rural-canada.ca. These tools provide access to a range of information products of interest to rural Canadians including newsletters, toolkits, reports on dialogue activities, programs, and information pathfinders.

Better co-ordination of government policy responses to community priorities

Recognizing that the challenges faced by rural communities are multi-dimensional and multi-jurisdictional, and that no one department and no government alone can fully address the issues faced by rural communities, the Rural Secretariat will continue to build partnerships across the federal government, and with the provinces and territories, to better co-ordinate efforts for long-term rural sustainability.

Co-ordination among federal policy makers will benefit from the Rural Development Network – a new initiative that brings together policy and research practitioners from across federal departments to create a better understanding of the unique challenges of rural and remote Canada and to strengthen the capacity of the federal government for rural policy development.

The Rural Lens  is a tool used to bring the rural and remote perspective to bear on federal government decisions. At the national level, rural and remote implications are highlighted for consideration when the government assesses the impacts of new federal initiatives. Over the next year, analysts will target major issues, such as Canada's aging population, and work with sponsoring departments and agencies to ensure that rural perspectives are integrated in national policy development work.

At the regional level, the Rural Secretariat provides leadership to 13 Rural Teams comprised of representatives of the federal government, and in most cases, provincial or territorial government and sectoral stakeholders. Through their local presence and community interaction, Rural Teams are a valuable vehicle to satisfy rural citizens' demand for "one-government" responsiveness at the local level.

Rural Teams contribute to raising awareness of rural issues, co-ordinating and facilitating the development of partnerships, dialogue activities and reports on key rural issues. Over the next year, the role of the Rural Teams will be reinforced through the development of action plans that focus on community priorities. These action plans will help to facilitate collaboration at the regional level.

Performance Measurement

In addition to the completion of the activities outlined above, key performance indicators of the long-term success of rural development on a national scale include positive changes to indices of:

- economic stability;
- economic competitiveness;
- social progress; and
- local institutional capacity.

Benefits for Canadians

Through a strong rural voice, rural, remote and northern communities continue to benefit from government decisions that reflect their priorities and support them in addressing their challenges. Likewise, governments continue to benefit from gaining a better understanding of the issues and priorities of rural communities.

Better collaboration within governments and greater emphasis on decision making through evidence-based research and analysis will lay a firm foundation for rural development, enhancing Canadians' access to opportunities to contribute to, and benefit from, Canada's prosperity.

CO-OPERATIVES SECRETARIAT

Introduction

Co-operatives are an important model for community development. They help Canadians meet their social and economic needs in areas such as retail, banking, housing and service industries, as well as the agriculture and agri-food sector.

Canadian co-operatives and credit unions have combined assets of almost \$190 billion, employ over 155,000 people as well as over 70,000 dedicated volunteers, and donate \$60 million annually to their communities.

Since 1987, AAFC's Co-operatives Secretariat has been working across government to ensure that co-operatives are considered in the development and implementation of policies and programs. The Secretariat also works closely with co-operative sector partners, and is a centre of knowledge and expertise on co-operatives within Canada.

Operating Environment

Co-operatives are facing significant demographic pressures as Canada's rural exodus continues – leaving many communities facing important challenges in continuing to provide essential services to residents.

Canadian co-operatives, like other types of corporations, are facing additional pressures in the global business environment and require adequate financing (equity and debt) to remain competitive, foster innovation and improve productivity.

The issue of capitalization remains a challenge for many co-operatives, particularly agricultural co-operatives. Agricultural co-operatives are facing major challenges from two related factors: the need to attract new investment (particularly for new co-operatives) and the need to replace the capital of retiring farmer members.

Budget 2005 contained one of the measures recommended by both the co-operative sector and the Standing Committee on Finance to help address the capitalization needs of agricultural co-operatives – the tax deferral on patronage dividends kept in the co-operative – which was introduced in January 2006.

There continues to be a lack of awareness of the potential of the co-operative model to contribute to society and broad government objectives. As a result, there is a lack of support for co-operatives, preventing the sector from developing its full potential.

Strategic Response

The Secretariat's work in 2006–2007 will help co-operatives meet their current challenges by concentrating on the following priorities:

Ensure the needs of the co-operative sector are taken into account by the federal government, especially when developing policies, programs and legislation

The Secretariat will continue to collaborate with various federal departments on policy development initiatives. In particular, the Co-operatives Secretariat will work within AAFC and with Finance Canada in assessing options to foster an environment which provides more comprehensive and lasting support for the capitalization of co-operatives. In addition, the Secretariat will work with Human Resources and Social Development Canada to develop a policy framework to support the social economy.

The Secretariat will facilitate the work of the federal-provincial-territorial Committee of Officials Responsible for Co-operatives. The Secretariat aims to improve liaison with provinces and territories on policy and information related to co-operatives.

Foster and facilitate interaction among co-operative organizations and with the Government of Canada

The Secretariat will continue to foster relations between the government and the sector, including involvement with national and regional co-operative organizations, as well as individual co-operatives, through activities such as forums for developing and financing co-operatives.

Develop and disseminate new information, knowledge and tools that will help co-operatives and governments make informed decisions

The Secretariat will develop enhanced research and information tools for its Web site. In addition, the Secretariat plans to develop and publish tools for co-operative development such as start-up guides and information kits. As well, through closer collaboration with provincial governments, greater emphasis will be placed on collecting, inputting and generating information based on co-operative data.

Enhance development capacity for co-operatives through delivery of the Co-operative Development Initiative (CDI)

The Secretariat will continue to implement the CDI – a five-year (2003-2008), \$15-million contribution program provided through the APF. The CDI is designed to help develop co-operatives, and research and test innovative ways of using the co-operative model.

The Secretariat will begin the process of analysing the impact that the CDI has had in terms of benefits to Canadian society and economy.

Performance Measurement

Key performance indicators regarding co-operatives include:


- government initiatives that include co-operatives;
- partnerships established and maintained to address co-operative issues;
- change in available research pertinent to co-operative development;
- use of, or reference to, research and tools;
- number of co-operative initiatives supported by the CDI program; and
- level of co-operative development service provided by the sector.

Benefits for Canadians

Through strategic investments in partnership with the co-operative sector, the Government of Canada will enhance the capacity of co-operatives to contribute to the Canadian economy and society. New co-operatives will help respond to the current and emerging needs of citizens in areas such as access to health care and home care, rural economic development, value-added opportunities in agriculture, development of Aboriginal communities, the integration of immigrants into Canadian communities, and identification of community solutions to environmental challenges.

SUSTAINABLE DEVELOPMENT STRATEGY

Introduction

AAFC, like other federal departments and agencies, is required to table a Sustainable Development Strategy (SDS) in Parliament every three years. AAFC's fourth SDS is scheduled to be tabled in Parliament in December 2006, and will build on progress made in the Department's third SDS, titled *Sustainable Agriculture: Our Path Forward* , which presented the APF as the departmental approach to sustainable development.

Our Approach

The APF, with its integrated environmental, economic and social components, will continue to be the basis for the Department's approach to sustainable development through to 2008. The APF developed out of the realization that sustainable development is the only alternative for the security and growth of the sector. It was put into place because Canadian agriculture and agri-food can no longer survive by moving from crisis to crisis. Only by looking at agricultural production and processing through the lens of sustainable development can the sector move safely and prosperously into the next era. In keeping with this perspective, the APF effectively addresses all three pillars of sustainable development – environmental, economic and social.

The theme of AAFC's fourth SDS, covering the period of 2007 to 2009, will be to enhance the integration of the three pillars of sustainable development. Through various initiatives, AAFC will strive to strengthen linkages between the three pillars, to ensure a seamless approach to sustainable development. AAFC's fourth SDS will also highlight the ongoing implementation of the APF and illustrate how AAFC integrates sustainable development into decision making.

AAFC continues to implement its environment program for internal operations and is working towards achieving the commitments outlined in the section titled *Leading by Example* in the third SDS in the following areas: green procurement practices, improving the management of waste and wastewater, improving building energy efficiency, improving vehicle use, adopting best practices related to land management, and developing emergency preparedness and response programs.

AAFC's fourth SDS will also contribute to federal sustainable development goals and AAFC will continue to work horizontally with other departments and agencies on sustainable development in areas such as reduced greenhouse gas emissions, biodiversity, rural communities and international goals for sustainable development.

Next Steps

In the 2006-2007 fiscal year, the Department will continue to implement the APF, and strive to ensure AAFC integrates sustainable development into decision making. The Department will also develop its fourth SDS and begin implementation. Through various initiatives to enhance the integration of the three pillars of sustainable development and ongoing work to implement the APF, the Department will continue to further its efforts towards sustainable development.

AGENCIES REPORTING TO PARLIAMENT THROUGH AGRICULTURE AND AGRI-FOOD CANADA



CANADIAN PARI-MUTUEL AGENCY (CPMA)

The CPMA is a special operating agency within AAFC that regulates and supervises pari-mutuel betting on horse racing at racetracks across Canada, thereby ensuring that pari-mutuel betting is conducted in a way that is trusted by the horse-race-betting public.

Regulatory Environment

Section 204 of the Criminal Code of Canada designates the Minister of Agriculture and Agri-Food as the individual responsible for the policy and regulatory functions pertaining to pari-mutuel wagering on horse races.

The CPMA regulates and supervises pari-mutuel betting on horse racing at racetracks across Canada, thereby ensuring that pari-mutuel betting is conducted in a way that is fair to the betting public.

Costs associated with the activities of the CPMA are fully recovered through a levy on every dollar bet on horse races in Canada. The levy is currently set at eight-tenths of a cent of every dollar bet. This levy constitutes the financial resource base that is the CPMA's Revolving Fund, which has been self-sufficient since 1980.

Key Program Areas

- Drug Control & Research
- Surveillance
- Video Race Patrol
- Photo Finish

Strategic Response

CPMA's strategic plans are focused on maintaining the highest standards for pari-mutuel wagering and surveillance.

In 2006-2007, the CPMA plans on spending approximately \$15.2 million to achieve these commitments. Planned spending requirements for the fiscal years 2006-2007 to 2008-2009 are summarized in the following table.

Program Activity: Business Risk Management	
<i>Enhancing CPMA's capacity to manage risk in pari-mutuel betting, thereby helping to protect the betting public against fraudulent activities</i>	
Commitments 2006-2007 <ul style="list-style-type: none"> • provide effective pari-mutuel supervision • develop innovative systems to support the delivery of effective and efficient surveillance activities • manage the Revolving Fund to ensure self sufficiency • strengthen collaborative alliances with the provincial regulatory bodies, the horse-racing industry and international jurisdictions 	Expected Results <ul style="list-style-type: none"> • confidence of the betting public in pari-mutuel wagering • detection against betting irregularities and performance-affecting drugs in horses • determination of the exact order of the finish of a race • availability of leading-edge, automated monitoring technologies to agency officers • self-sufficient Revolving Fund • improved levels of awareness and acceptance of regulations and policies • strong federal, provincial and industry partnerships and increased international recognition
Benefits for Canadians <ul style="list-style-type: none"> • integrity maintained in pari-mutuel betting • no cost to the Canadian taxpayer, only to the horse-race betting public 	

Planned Spending (Gross) and Full Time Equivalents – Canadian Pari-Mutuel Agency

2006-2007		2007-2008		2008-2009	
\$ millions	FTE	\$ millions	FTE	\$ millions	FTE
15.2	67	15.2	67	15.2	67

Note:
Revenues and Expenditures are dictated by collecting a levy of eight-tenths of a cent on every \$1.00 bet in Canada. All the revenue generated is from the horse-race betting public and there is no cost to the Canadian taxpayer.



NATIONAL FARM PRODUCTS COUNCIL (NFPC)

The NFPC was established in 1972 through the Farm Products Agencies Act. The Act combines the marketing powers of the federal government, which has authority over inter-provincial and international trade, and provincial governments, which are restricted to intra-provincial trade. This enabling legislation provided for the establishment of national marketing agencies and, in 1993 was amended to provide for the founding of national promotion-research agencies.

The National Farm Products Council was established to:

- advise the Minister on all matters relating to the establishment and operations of agencies under the Act with a view to maintaining and promoting an efficient and competitive agriculture industry;
- review the operations of agencies with a view to ensuring that they carry on their operations in accordance with the objectives set out in the Act. The Council has a legislative responsibility to approve agency orders and regulations; and
- work with agencies in promoting more effective marketing of farm products in inter-provincial and export trade and, in the case of a promotion-research agency, in promoting such marketing in import trade and in connection with research and promotion activities relating to their farm products.

The Council monitors the operations of five national agencies:

- Canadian Egg Marketing Agency;
- Canadian Turkey Marketing Agency;
- Chicken Farmers of Canada;
- Canadian Broiler Hatching Egg Marketing Agency; and
- Canadian Beef Cattle Research, Market Development and Promotion Agency.

The NFPC undertakes activities that aim to promote the strength and enhance the competitiveness of the sectors which it oversees. It is committed to working with the agriculture and agri-food sector to meet the challenges and opportunities that arise from significant change in agri-food policies, business trends and market requirements at home and abroad.

The Council has been an active proponent of portfolio management with the aim of providing comprehensive advice to the Minister and the government. This co-operative approach within the agriculture and agri-food portfolio is done in a manner to maintain the Council's arms-length relationship due to its quasi-judicial status and the managerial autonomy and accountability required in today's modern comptrollership environment.

Operating Environment

In developing its strategic plan, the NFPC took into account many trends and developments in Canadian agriculture and agri-food as they affect the sectors for which the Council has responsibility. Broadly, the four supply management agencies which the Council oversees deal with issues concerning:

- WTO Agreement and greater trade liberalization;
- Poultry and egg products consumption trends;
- Farm food safety programs;
- Animal health;
- Increasing productivity and innovation;
- Processor/retailer concentration;
- Regionalism/provincialization within Canada;
- Returns at producer level and industry level; and
- Conflict resolution, eg. commodity boards and downstream players in the industry.

The Canadian Beef Cattle Research Market Development and Promotion Agency and the beef cattle industry at large is facing the continuing impact of BSE on Canada's export markets. Other issues for the agency and its partners (the Beef Information Centre, the Canada Beef Export Federation and the Beef Cattle Research Council) include:

- Implementation of a national levy collection system;
- Food safety;
- Improved quality and consistency;
- Carcass value optimization;
- Improved product perception;
- Market development programs for Canada, Japan, Korea, Taiwan, China and Mexico; and
- Development of a national beef research strategy.

Planned Spending and Full Time Equivalents – National Farm Products Council

2006-2007		2007-2008		2008-2009	
\$ millions	FTE	\$ millions	FTE	\$ millions	FTE
2.6	19	2.7	19	2.7	19

Notes:

1. These amounts are included in the Department of Agriculture and Agri-Food's reference levels and include \$200,000 in grants and \$247,000 in employee benefits.
2. 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 management advice and services provided by Agriculture and Agri-Food Canada.

These amounts are not reflected in the program costs.

In 2006-2007, the first year of NFPC's Strategic Plan 2006-2009, the Council will focus on the priorities and commitments outlined in the following table.

Program Activity: Marketing and promotion research agencies work in the balanced interests of all stakeholders	
Commitments	Expected Results
<ul style="list-style-type: none"> • Complete the renewal of federal-provincial- territorial agreements for the egg, turkey and broiler hatching agencies • Work with the Canadian Beef Cattle Research Market Development and Promotion Agency to implement a national levy collection system on inter-provincial marketing and imports 	<ul style="list-style-type: none"> • Receipt of draft federal-provincial-territorial agreements by the three national agencies • Levy collection system in place and progress on a check-off for imports of beef and beef products
Program Activity: Improved competitiveness strength, market responsiveness and profitability of Canadian agriculture and agri-food sector	
Commitments	Expected Results
<ul style="list-style-type: none"> • Engage national agencies and stakeholders in discussions on WTO Agreement implications • Work with national agencies to promote more effective marketing of farm products • Examine productivity and innovation in the poultry and egg sectors 	<ul style="list-style-type: none"> • Action plan to respond to proposed changes to the regulatory framework
Program Activity: Provide efficient transparent and responsible management of NFPC operations	
Commitments	Expected Results
<ul style="list-style-type: none"> • Implement modern management practices in step with Government of Canada's Management Accountability Framework 	<ul style="list-style-type: none"> • Continued implementation of the Government of Canada's Management Accountability Framework and further alignment with the framework
Benefits for Canadians	
<ul style="list-style-type: none"> • national agencies are working in the balanced interests of all Canadians • a sound regulatory framework is in place for the agri-food industry for poultry, eggs and beef research and promotion • more effective marketing of farm products in inter-provincial and export trade • an efficient and competitive agriculture industry 	

Supplementary Information

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NOTE:

In the following tables, **forecast spending** reflects the authorized funding levels to the end of the fiscal year 2005-2006 (not necessarily forecast expenditures). **Planned spending** reflects funds already brought into the Department's reference levels as well as amounts to be authorized through the Estimates process (for the 2006-2007 through to 2008-2009 planning years) as presented in the Annual Reference Level Update. It also includes adjustments in future years for funding approved in the government fiscal plan, but yet to be brought into the Department's reference levels. 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. Due to rounding, figures may not add to the totals shown.

Table 1: Departmental Planned Spending and Full Time Equivalents

(\$ millions)	Forecast Spending 2005-2006 ¹	Planned Spending 2006-2007	Planned Spending 2007-2008	Planned Spending 2008-2009
Budgetary Main Estimates				
Business Risk Management	1,319.7	1,275.9	1,227.6	689.1
Food Safety and Food Quality	83.4	123.0	101.7	40.4
Markets and International	114.7	113.9	111.8	82.1
Environment	307.8	352.9	301.0	184.9
Innovation and Renewal	327.6	346.9	328.8	221.2
Rural and Co-operatives Secretariats	17.8	22.8	20.0	4.7
National Farm Products Council	2.5	2.7	2.7	2.7
Canadian Pari-Mutuel Agency	15.3	15.2	15.2	15.2
Budgetary Main Estimates (gross)	2,188.9	2,253.4	2,108.8	1,240.4
Less: Respendable Revenue ²	35.8	61.7	63.7	63.7
Total Main Estimates	2,153.1	2,191.7	2,045.1	1,176.7
<i>Adjustments (Planned Spending not in Main Estimates):</i>				
Governor General Special Warrants				
Funding to support the implementation of the Agricultural Policy Framework (APF)	35.0	-	-	-
Compensation for salary adjustments	26.0	-	-	-
Operating budget carry forward	21.8	-	-	-
Activities to mitigate the impact of the Bovine Spongiform Encephalopathy (BSE) crisis	11.2	-	-	-
Funding to support the enhancement of delivery systems for the Business Risk Management Programs under the Agricultural Policy Framework	9.4	-	-	-
Funding to continue the Government's plan to establish core genomics research and development capacity	5.6	-	-	-
Reinvestment of royalties from intellectual properties	4.5	-	-	-
Payments in connection with the Farm Income Payment Program	3.2	-	-	-
Funding for administrative costs related to payments to grain and oilseed producers	2.0	-	-	-
Reinvestment of revenues from sales and services related to research, facilities, and equipment	1.9	-	-	-
Funding to modernize human resources management in the Federal Public Service (Public Service Modernization Act)	1.6	-	-	-
Funding related to government advertising programs	1.4	-	-	-
Funding related to the assessment, management and remediation of federal contaminated sites	0.7	-	-	-
Funding to inform Canadians about Government of Canada's priorities, programs and services through participation in the Government of Canada Exhibition Program and the Rural Exhibits Program	0.5	-	-	-
Funding to undertake or participate in feasibility studies concerning the introduction of a shared service approach to the government's internal financial, human resource and material systems and services	0.4	-	-	-

Table 1: Departmental Planned Spending and Full Time Equivalents – continued

Funding to undertake projects related to the development and application of biotechnology (Canadian Biotechnology Strategy)	0.3	-	-	-
Funding to support employment equity projects to increase the representation in the federal Public Service, of designated groups, in particular visible minorities, Aboriginal people and persons with disabilities	0.2	-	-	-
Funding related to the reform and modernization of Canada's regulatory system in order to respond better to the needs of citizens and to enable business innovation and growth	0.2	-	-	-
Funding to improve the capacity to detect and the readiness to respond to a potential avian or pandemic influenza outbreak including emergency preparedness, antiviral stockpiling and rapid vaccine development technology	0.1	-	-	-
Initiatives to support the implementation of a common electronic infrastructure and multi-channel service delivery strategy (Government On-Line)	0.1	-	-	-
Less: Funds available within the Department	26.4	-	-	-
Total Governor General Special Warrants	99.6	-	-	-
2005 Budget Announcement				
Action Plan for the Agriculture Sector	-	1,498.1	480.7	447.1
Planned Procurement Savings	-	(4.3)	-	-
Total Budget Announcement	-	1,493.8	480.7	447.1
Other				
Treasury Board Vote 5				
Immediate steps for Avian and Pandemic Influenza Preparedness	2.9	-	-	-
Treasury Board Vote 10				
Audited Departmental Financial Statements	0.2	-	-	-
Statutory Increases				
Grain and Oilseed Payment Program – Grants and Contributions	755.8	-	-	-
Canadian Cattlemen's Association Legacy Fund	5.0	-	-	-
Business Risk Management – Forecast increase for CAIS	273.5	-	-	-
Bovine Spongiform Encephalopathy (BSE) Recovery Program	27.6	-	-	-
Employee Benefit Plan (EBP)	6.8	-	-	-
Grain and Oilseed Payment Program – 2006-07 Funding	-	17.5	-	-
Funding to support the enhancement of delivery systems for the Business Risk Management Programs under the Agricultural Policy Framework	-	40.0	24.9	-
Reduced cost of the new Ministry – Regional Responsibilities	-	0.3	0.3	0.3
Climate Change	-	4.0	0.5	-
BSE – Specified Risk Materials	-	80.0	-	-
Real Property Disposition Revolving Fund	-	0.7	-	-
Expansion of the Cash Advance Programs for Farmers	-	26.0	26.0	26.0
Amendment to Agricultural Marketing Programs Act	-	-	18.5	52.5
Biotechnology Budget 99	-	-	-	6.0
Total Other	1,071.8	168.4	70.2	84.8
Total Adjustments	1,171.4	1,662.3	550.9	531.9
Total Net Planned Spending	3,324.6	3,853.9	2,595.9	1,708.6

Table 1: Departmental Planned Spending and Full time Equivalents – continued

Less: Non-Respendable Revenue	20.2	21.8	21.8	21.8
Plus: Cost of services received without charge ³	33.0	46.2	47.8	42.2
Total Departmental Spending	3,337.5	3,878.3	2,621.9	1,728.9
Full Time Equivalents ⁴	6,257	6,257	6,257	6,257

- 1 Reflects the authorized funding levels to the end of the fiscal year 2005-2006 (not necessarily forecast expenditures).
- 2 Respendable revenue for 2005-06 does not include net voted authority, approved in late January, 2005, for revenue from research related activities in the amount of \$11 million. 2006-07 and future years does however, include this revenue in the amount of \$22 million.
- 3 Cost of services received without charge include accommodation provided by Public Works and Government Services Canada (PWGSC), contributions covering employers' share of employees' insurance premiums and expenditures paid by Treasury Board Secretariat (TBS), Worker's compensation coverage provided by Social Development Canada and salary and associated expenditures of legal services provided by the Department of Justice Canada. See details in Table 4.
- 4 In addition to the FTEs noted above, in 2005-2006 there were 184 FTEs employed by AAFC funded by non-appropriated sources from collaborative research projects with industry, and other activities not funded through AAFC appropriations. Also, 452 FTEs were employed as students. Data for 2006-2007 to 2008-2009 similarly does not make any provision for staff funded through non-appropriated sources or students. With the introduction of Net Voted authority for revenue from collaborative research agreements and research services, in 2006-2007, FTEs will be adjusted accordingly to reflect this in future reports.

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

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

Table 2: Resources by Program Activity

(\$ millions)	2006-2007								
	Budgetary								
Program Activity	Operating	Capital	Grants	Contributions	Main Estimates (Gross)	Respendable Revenue	Main Estimates (Net)	Adjustments (planned spending not in Main Estimates)	Total Net Planned Spending
Business Risk Management	111.7	4.8	5.0	1,154.4	1,275.9	5.5	1,270.4	1,418.7	2,689.2
Food Safety and Food Quality	48.1	2.0	-	73.0	123.0	1.5	121.5	(0.2)	121.3
Markets and International	84.6	3.7	-	25.6	113.9	-	113.9	(0.4)	113.6
Environment	216.9	10.0	-	126.1	352.9	24.5	328.4	3.0	331.4
Innovation and Renewal	228.1	8.2	31.3	79.4	346.9	15.0	332.0	240.2	572.2
Rural and Co-operatives Secretariats	12.9	-	-	9.9	22.8	-	22.8	0.9	23.7
National Farm Products Council	2.5	-	0.2	-	2.7	-	2.7	(0.0)	2.6
Canadian Pari-Mutuel Agency	15.2	-	-	-	15.2	15.2	-	-	-
Total	720.0	28.6	36.5	1,468.3	2,253.4	61.7	2,191.7	1,662.3	3,853.9

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

Table 3: Voted and Statutory Items listed in Main Estimates

(\$ millions)

Vote or Statutory Item	Truncated Vote or Statutory Wording	Main Estimates 2006-2007	Main Estimates 2005-2006
1	Operating Expenditures	583.9	557.9
5	Capital Expenditures	28.6	30.6
10	Grants and Contributions	448.9	371.2
15	Pursuant to Section 29 of the <i>Financial Administration Act</i> , to authorize the Minister of Agriculture and Agri-Food, on behalf of her Majesty in Right of Canada, in accordance with terms and conditions approved by the Minister of Finance, to guarantee payments of an amount not exceeding, at any one time, in aggregate the sum of \$1,700,000,000 payable in respect of cash advances provided by producer organizations, the Canadian Wheat Board and other lenders under the Spring Credit Advance Program.	0.0	0.0
20	Pursuant to Section 29 of the <i>Financial Administration Act</i> , to authorize the Minister of Agriculture and Agri-Food, on behalf of her Majesty in Right of Canada, in accordance with terms and conditions approved by the Minister of Finance, to guarantee payments of amounts not exceeding, at any time, in aggregate, the sum of \$140,000,000 payable in respect of Line of Credit Agreements to be entered into by the Farm Credit Corporation for the purpose of the renewed (2003) National Biomass Ethanol Program.	0.0	0.0
(S)	Grants to agencies established under the <i>Farm Products Agencies Act</i>	0.2	0.2
(S)	Payments in connection with the <i>Agricultural Marketing Programs Act</i>	65.5	65.5
(S)	Loan Guarantees under the <i>Farm Improvement and Marketing Co-operatives Loans Act</i>	4.0	4.0
(S)	Contributions in Support of Business Risk Management Programs under the Agricultural Policy Framework – Production Insurance (1)	407.0	404.8
(S)	Contributions in Support of Business Risk Management Programs under the Agricultural Policy Framework – Canadian Agricultural Income Stabilization Program (1)	570.0	451.5
(S)	Contributions in Support of Business Risk Management Programs under the Agricultural Policy Framework – Agriculture Policy Initiatives	4.2	1.1
(S)	Canadian Cattlemen's Association Legacy Fund	5.0	–
(S)	Class contribution payments for Repositioning of the Canadian Beef and Cattle Industry	–	108.9
(S)	Contributions in Support of Business Risk Management Programs under the Agricultural Policy Framework – Province Based Programs	–	84.8
(S)	Minister of Agriculture and Agri-Food – salary and motor car allowance	0.1	0.1
(S)	Contributions to employee benefit plans	74.3	72.5
(S)	Canadian Pari-Mutuel Agency Revolving Fund	–	–
TOTAL DEPARTMENT		2,191.7	2,153.1

NOTES: (S) denotes a Statutory item

1 The Main Estimates for 2006-2007 are \$2,191.7 million compared to \$2,153.1 million for 2005-2006, an increase of \$38.6 million. The increase is mainly attributable to the re-profiling of a portion of APF transfer payment funding from previous years to 2006-2007 and increases resulting from collective bargaining agreements.

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

Table 4: Services Received Without Charge**2006-2007**

(\$ millions)	
Accommodation provided by Public Works and Government Services Canada (PWGSC)	11.3
Contributions covering employers' share of employees' insurance premiums and expenditures paid by the Treasury Board of Canada Secretariat (TBS) (excluding revolving funds) Employer's contribution to employees' insured benefits plans and expenditures paid by TBS	31.5
Worker's compensation coverage provided by Human Resources and Skills Development Canada	1.7
Salary and associated expenditures of legal services provided by The Department of Justice Canada	1.7
Total 2006-2007 Services received without charge	46.2

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

Table 5: Summary of Capital Spending by Program Activity

(\$ millions)	Forecast Spending 2005-2006	Planned Spending 2006-2007	Planned Spending 2007-2008	Planned Spending 2008-2009
Business Risk Management	5.1	9.1	4.8	4.8
Food Safety and Food Quality	2.7	2.0	2.0	2.0
Markets and International	4.4	3.7	3.7	3.7
Environment	12.9	10.0	10.0	9.6
Innovation and Renewal	11.2	16.4	16.8	11.4
Rural and Co-operatives Secretariats	-	-	-	-
National Farm Products Council	-	-	-	-
Canadian Pari-Mutuel Agency*	-	-	-	-
Total Capital Spending	36.2	41.2	37.2	31.5

* The Canadian Pari-Mutuel Agency Revolving Fund is forecasting acquisition of depreciable assets of \$0.1 million per year for the years 2005-2006 through 2008-2009. See Table 7.
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.
Due to rounding, figures may not add to the totals shown.

Table 6: Sources of Respendable and Non-Respendable Revenue

Respendable Revenue¹

(\$ millions)	Forecast Revenue 2005-2006	Planned Revenue 2006-2007	Planned Revenue 2007-2008	Planned Revenue 2008-2009
Business Risk Management				
Canadian Agricultural Income Stabilization – Admin. fees	5.5	5.5	5.5	5.5
Total – Business Risk Management	5.5	5.5	5.5	5.5
Food Safety and Food Quality				
Collaborative research agreements and research services	–	1.5	1.5	1.5
Total – Food Safety and Food Quality	–	1.5	1.5	1.5
Environment				
Collaborative research agreements and research services	–	5.5	5.5	5.5
Community Pastures	15.0	19.0	21.0	21.0
Total – Environment	15.0	24.5	26.5	26.5
Innovation and Renewal				
Collaborative research agreements and research services	–	15.0	15.0	15.0
Total – Innovation and Renewal	–	15.0	15.0	15.0
Canadian Pari-Mutuel Agency				
Canadian Pari-Mutuel Agency Revolving Fund	15.3	15.2	15.2	15.2
Total – Canadian Pari-Mutuel Agency	15.3	15.2	15.2	15.2
Total Respendable Revenue	35.8	61.7	63.7	63.7

Non-Respendable Revenue

Business Risk Management				
Refund of Previous Years' Expenditures ²	3.3	5.0	5.0	5.0
Service and Service Fees	0.1	0.1	0.1	0.1
Privileges, Licences and Permits	0.3	0.3	0.3	0.3
Return on Investments ³	0.5	0.5	0.5	0.5
Proceeds from Sales of Crown Assets	0.0	0.0	0.0	0.0
Other non-tax revenues	0.6	0.6	0.6	0.6
Total – Business Risk Management	4.8	6.5	6.5	6.5
Food Safety and Food Quality				
Refund of Previous Years' Expenditures ²	0.1	0.1	0.1	0.1
Service and Service Fees	0.3	0.3	0.3	0.3
Privileges, Licences and Permits	0.3	0.3	0.3	0.3
Return on Investments ³	0.2	0.2	0.2	0.2
Proceeds from Sales of Crown Assets	0.1	0.1	0.1	0.1
Other non-tax revenues	0.2	0.2	0.2	0.2
Total – Food Safety and Food Quality	1.2	1.2	1.2	1.2
Markets and International				
Refund of Previous Years' Expenditures ²	0.2	0.2	0.2	0.2
Service and Service Fees	0.1	0.1	0.1	0.1
Privileges, Licences and Permits	0.2	0.2	0.2	0.2
Return on Investments ³	0.4	0.4	0.4	0.4
Proceeds from Sales of Crown Assets	0.0	0.0	0.0	0.0
Other non-tax revenues	0.4	0.4	0.4	0.4
Total – Markets and International	1.3	1.3	1.3	1.3

Table 6: Sources of Respendable and Non-Respendable Revenue – continued

Environment				
Refund of Previous Years' Expenditures ²	0.3	0.3	0.3	0.3
Service and Service Fees	0.3	0.3	0.3	0.3
Privileges, Licences and Permits	1.0	1.0	1.0	1.0
Return on Investments ³	1.0	1.0	1.0	1.0
Proceeds from Sales of Crown Assets	0.5	0.5	0.5	0.5
Other non-tax revenues	1.3	1.3	1.3	1.3
Total – Environment	4.5	4.5	4.5	4.5
Innovation and Renewal				
Refund of Previous Years' Expenditures ²	0.2	0.2	0.2	0.2
Service and Service Fees	0.2	0.2	0.2	0.2
Privileges, Licences and Permits	4.5	4.5	4.5	4.5
Return on Investments ³	0.9	0.9	0.9	0.9
Proceeds from Sales of Crown Assets	1.5	1.5	1.5	1.5
Other non-tax revenues	1.0	1.0	1.0	1.0
Total – Innovation and Renewal	8.3	8.3	8.3	8.3
Rural and Co-operatives Secretariats				
Refund of Previous Years' Expenditures ²	0.0	0.0	0.0	0.0
Service and Service Fees	–	–	–	–
Privileges, Licences and Permits	–	–	–	–
Return on Investments ³	–	–	–	–
Proceeds from Sales of Crown Assets	–	–	–	–
Other non-tax revenues	0.0	0.0	0.0	0.0
Total – Rural and Co-operatives Secretariats	0.0	0.0	0.0	0.0
Total Non-Respendable Revenue	20.2	21.8	21.8	21.8
Total Respendable and Non-Respendable Revenue	56.0	83.6	85.6	85.6

1 Respendable revenue for 2005-06 does not include net voted authority, approved in late January, 2005, for revenue from research related activities in the amount of \$11 million. 2006-07 and future years does however, include this revenue in the amount of \$22 million.

2 Refund of Previous Years' Expenditures for the Business Risk Management program activity includes amounts recovered from provinces for payments made by the Department, and collections of overpayments under the Canadian Farm Income Program (CFIP) and the Agricultural Income Disaster Assistance Program (AIDA).

3 Return on Investments includes interest on loans for the Canadian Dairy Commission and Construction of Multi-Purpose Exhibition Buildings.

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

Table 7: Canadian Pari-Mutuel Agency Revolving Fund

Statement of Operations

(\$ millions)	Forecast 2005-2006	Planned 2006-2007	Planned 2007-2008	Planned 2008-2009
Responsible Revenue	15.3	15.2	15.2	15.2
Expenses				
Operating:				
Salaries and employee benefits	5.1	5.0	5.0	5.0
Depreciation	0.1	0.1	0.1	0.1
Administrative and support services	9.7	9.7	9.7	9.7
Utilities, materials and supplies	0.4	0.4	0.4	0.4
Total Operating	15.3	15.2	15.2	15.2
Surplus (Deficit)	-	-	-	-

Statement of Cash Flows

(\$ millions)	Forecast 2005-2006	Planned 2006-2007	Planned 2007-2008	Planned 2008-2009
Surplus (Deficit)	-	-	-	-
Add non-cash items:				
Depreciation/amortisation	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)	-	-	-	-

Projected Use of Authority

(\$ millions)	Forecast 2005-2006	Planned 2006-2007	Planned 2007-2008	Planned 2008-2009
Authority*	2.0	2.0	2.0	2.0
Drawdown:				
Balance as at April 1	1.1	1.1	1.1	1.1
Projected Surplus (Drawdown)	-	-	-	-
Total Drawdown	1.1	1.1	1.1	1.1
Projected Balance at March 31	3.1	3.1	3.1	3.1

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

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

Table 8: Resource Requirements by Team

(\$ millions)

2006-2007

Team	Business Risk Management	Food Safety and Food Quality	Markets and International	Environment	Innovation and Renewal	Rural and Co-operatives Secretariats	National Farm Products Council	Canadian Pari-Mutuel Agency	Total Net Planned Spending
Business Risk Management	11.7	–	–	–	–	–	–	–	11.7
Food Safety and Quality	–	28.2	–	–	–	–	–	–	28.2
Markets and Trade	–	–	50.6	–	–	–	–	–	50.6
Environment	–	–	–	99.7	–	–	–	–	99.7
Innovation and Renewal	–	–	–	–	200.3	–	–	–	200.3
Programs ¹	2,581.3	75.0	27.3	139.2	296.6	–	–	–	3,119.4
Enabling ²	92.4	16.6	32.8	85.0	68.9	–	–	–	295.7
Corporate Offices ³	3.7	1.5	2.8	7.5	6.4	23.7	2.6	–	48.3
Total	2,689.2	121.3	113.6	331.4	572.1	23.7	2.6	–	3,853.9

These resource requirements by Team are notional allocations based largely on 2005-2006 Team allocations, as Team budgets based on 2006-2007 planned spending, have not been fully allocated at the time of preparing this document.

- Programs Team** resources are significantly higher than those of the other Teams as they include the majority of the Department's resources for Transfer Payments (\$3,016 million included).
- Enabling Teams** include Assets, Communications, Finance, Human Resources, Information Systems and Policy and Planning.
- Corporate Offices** include Executive Offices, Rural and Co-Operative Secretariat, National Farm Products Council, Legal Services, Audit and Evaluation, Values and Ethics, Office of Internal Disclosure, Decision Support, Strategic Management and ADM Offices.

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

Table 9: User Fees

The Department currently has no planned user fee initiatives (either to introduce new fees or amend existing fees) for the departmental program covered by the User Fee Act, ie. The Farm Improvement and Marketing Co-operatives Loans Act (FIMCLA) program.

Table 10: Details on Project Spending

Over the next three years the following projects have or are expected to exceed the Department's delegated project approval level:

2006-2007

1. Skyline Campus
2. Enhancements to the delivery systems for the Business Risk Management Programs under the Agricultural Policy Framework
3. Duncairn Dam
4. National Land and Water Information Service (NLWIS)
5. Junction Dam Rehabilitation
6. St. Boniface General Hospital
7. Dairy Research Facility
8. Greenhouse and Growth Chamber Facility

2007-2008

1. Skyline Campus
2. Enhancements to the delivery systems for the Business Risk Management Programs under the Agricultural Policy Framework
3. National Land and Water Information Service (NLWIS)
4. Junction Dam Rehabilitation
5. St. Boniface General Hospital
6. Dairy Research Facility
7. Greenhouse and Growth Chamber Facility

2008-2009

1. Enhancements to the delivery systems for the Business Risk Management Programs under the Agricultural Policy Framework
2. National Land and Water Information Service (NLWIS)
3. Junction Dam Rehabilitation
4. St. Boniface General Hospital
5. Dairy Research Facility
6. Greenhouse and Growth Chamber Facility

For further information on the above-mentioned projects see <http://www.tbs-sct.gc.ca/est-pre/estime.asp>

Table 11: Status Report on Major Crown Projects

Over the next three years, Agriculture and Agri-Food Canada will be the lead department and will manage the following major Crown project:

2006-2007, 2007-2008 and 2008-2009

National Land and Water Information Service (NLWIS)

For further information on the above-mentioned major crown project see <http://www.tbs-sct.gc.ca/est-pre/estime.asp>

Table 12: Summary of Transfer Payments by Program Activity for Agriculture and Agri-Food Canada*

(\$ millions)	Forecast Spending 2005-2006	Planned Spending 2006-2007	Planned Spending 2007-2008	Planned Spending 2008-2009
Grants				
Business Risk Management	721.2	5.0	5.0	5.0
Innovation and Renewal	31.3	31.3	31.3	31.3
National Farm Products Council	0.2	0.2	0.2	0.2
Total Statutory Grants	718.5	5.2	5.2	5.2
Total Voted Grants	34.2	31.3	31.3	31.3
Total Grants	752.7	36.5	36.5	36.5
Contributions				
Business Risk Management	1,549.8	1,154.4	1,109.6	614.5
Environment	101.0	126.1	78.0	-
Food Safety and Food Quality	41.5	73.0	52.1	0.0
Innovation and Renewal	76.0	79.4	55.3	2.0
Markets and International	23.2	25.6	23.8	6.2
Rural and Co-operatives	6.7	9.9	6.9	-
Total Statutory Contributions	1,464.2	1,050.7	1,051.2	509.4
Total Voted Contributions	343.5	417.6	274.5	113.3
Total Contributions	1,807.7	1,468.3	1,325.7	622.7
Total Statutory Grants & Contributions	2,182.7	1,055.9	1,056.4	514.6
Total Voted Grants & Contributions	377.7	448.9	305.8	144.6
TOTAL GRANTS & CONTRIBUTIONS	2,560.4	1,504.8	1,362.2	659.2

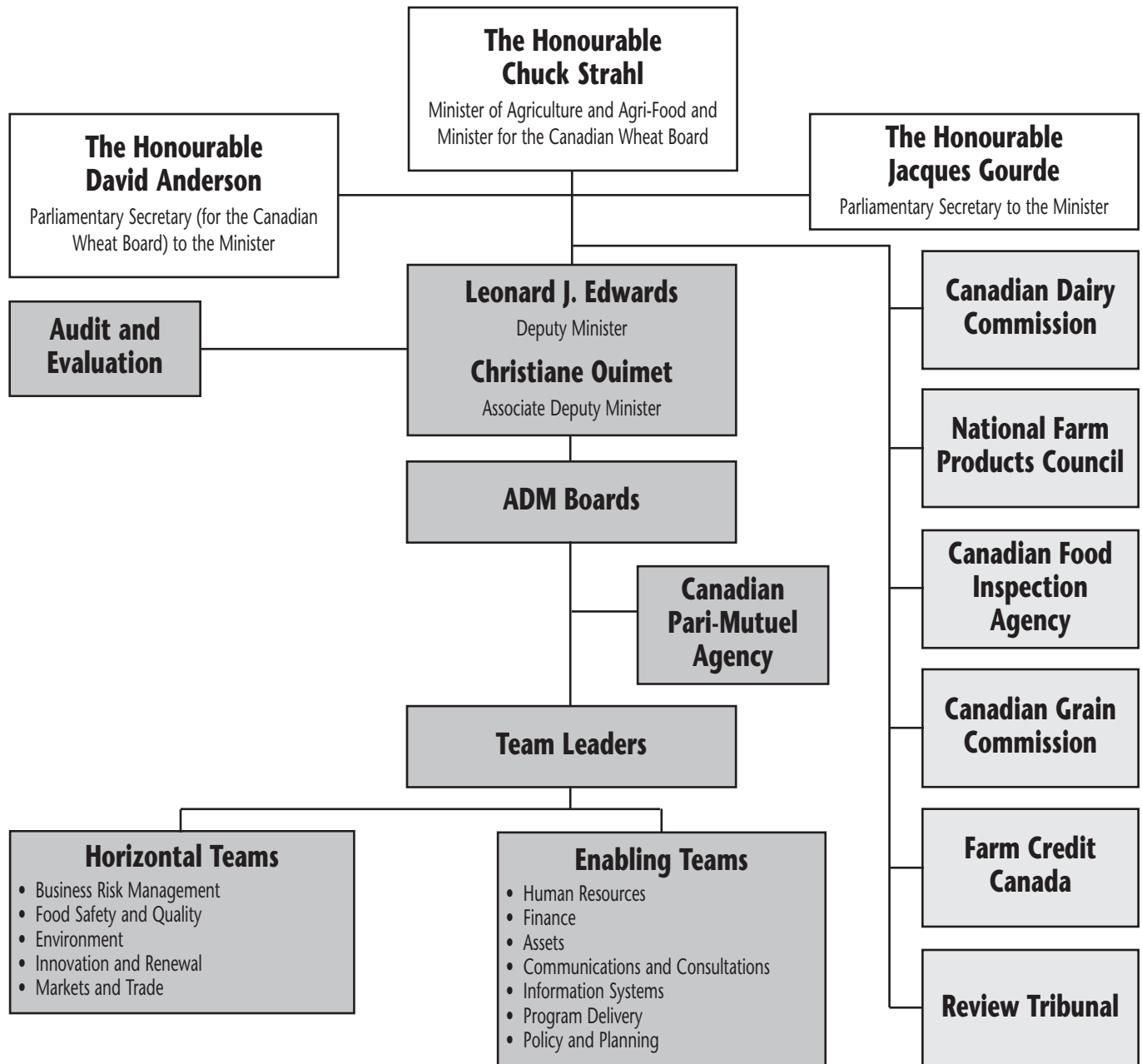
* The above table, and supporting Details on Transfer Payments Program (TPP) templates (for those TPPs over \$5 million in 2006-2007), forecast spending reflects the authorized funding levels to the end of the fiscal year 2005-2006 (not necessarily forecast expenditures). Planned spending reflects funds already brought into the Department's reference levels as well as amounts to be authorized through the Estimates process (for the 2006-2007 through to 2008-2009 planning years) as presented in the Annual Reference Level Update.

Further information on these transfer payment programs can be found at <http://www.tbs-sct.gc.ca/est-pre/estime.asp>.

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

Other Items of Interest

AGRICULTURE AND AGRI-FOOD PORTFOLIO



HOW TO REACH US

Agriculture and Agri-Food Canada Departmental Contacts

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More information on the Department
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www.agr.gc.ca/index_e.phtml

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APPENDIX A – LIST OF WEB SITES

Advance Payment Programs (APP)	http://www.agr.gc.ca/nmp/app/index.html
Advancing Canadian Agriculture and Food Program (ACAAF)	http://www.agr.gc.ca/acaaf/index_e.html
Agricultural Marketing Programs Act (AMPA)	http://laws.justice.gc.ca/en/A-3.7/index.html
Agricultural Policy Framework (APF)	http://www.agr.gc.ca/cb/apf/index_e.php
Bovine Spongiform Encephalopathy (BSE)	http://www.inspection.gc.ca/english/anima/heasan/disemala/bseesb/bseesbfse.shtml
Business Risk Management (BRM)	http://www.agr.gc.ca/cb/apf/index_e.php?section=brm_gre&page=brm_gre
Canadian Agricultural Income Stabilization (CAIS)	http://www.agr.gc.ca/caisprogram/
Canadian Agricultural Skills Service (CASS)	http://www.agr.gc.ca/ren/cass-scdca/index_e.php
Canadian Agriculture and Food International (CAFI) program	http://www.agr.gc.ca/int/cafi-picaa/index_e.php?page=intro
Canadian Dairy Commission (CDC)	http://www.cdc-ccl.gc.ca/
Canadian Farm Business Advisory Services (CFBAS)	http://www.agr.gc.ca/ren/cfbas/consult_e.cfm
Canadian Farm Families Options Program	http://www.agr.gc.ca/options/main_e.html
Canadian Food Inspection Agency (CFIA)	http://www.inspection.gc.ca/
Canadian Food Safety and Quality Program (CFSQP)	http://www.agr.gc.ca/fd_al/cfsqp-pcsqa/index_e.php
Canadian Grain Commission (CGC)	http://www.grainscanada.gc.ca/
Canadian Pari-Mutuel Agency (CPMA)	http://www.cpma-acpm.gc.ca/
Canadian Rural Partnership (CRP)	http://www.rural.gc.ca/
Co-operative Development Initiative	http://www.agr.gc.ca/rcc-src/coop/index_e.php?s1=init&page=intro
Co-operatives Secretariat	http://www.agr.gc.ca/rcc-src/coop/
Cover Crop Protection Program	http://www.agr.gc.ca/index_e.php?s1=pfra-arap&s2=ccpp-pcc
Enhanced Spring Credit Advance Program (ESCAP)	http://www.agr.gc.ca/nmp/escap/index_e.html
Environment	http://www.agr.gc.ca/cb/apf/index_e.php?section=env&page=env
Environmental Farm Plans (EFP)	http://www.agr.gc.ca/env/efp-pfa/index_e.php
Farm Business Assessment	http://www.agr.gc.ca/ren/cfbas/form_e.cfm
Farm Credit Canada (FCC)	http://www.fcc-fac.ca/
Farm Debt Mediation Service (FDMS)	http://www.agr.gc.ca/index_e.php?s1=prod&page=fdms-smmea
Farm Improvement and Marketing Cooperatives Loan Act (FIMCLA)	http://www.agr.gc.ca/misb/nmp/fimcla/
Financial Guarantee Programs	http://www.agr.gc.ca/misb/nmp/
Food Safety and Food Quality	http://www.agr.gc.ca/cb/apf/index_e.php?section=fd_al&page=fd_al
Grains and Oilseeds Payment Program (GOPP)	http://www.agr.gc.ca/gopp/main.html
Greencover Canada	http://www.agr.gc.ca/env/greencover-verdir/index_e.phtml
Innovation	http://www.agr.gc.ca/cb/apf/index_e.php?section=sci&page=sci
International	http://www.agr.gc.ca/cb/apf/index_e.php?section=int&page=int
Management Accountability Framework (MAF)	http://www.tbs-sct.gc.ca/maf-crg/documents/booklet-livret/booklet-livret_e.asp
National Farm Products Council (NFPC)	http://nfpc-cnpa.gc.ca/
National Farm Stewardship Program	http://www.agr.gc.ca/env/efp-pfa/index_e.php?page=nfsp-pnga
National Land and Water Information Service (NLWIS)	http://www.agr.gc.ca/nlwis-snite/index_e.cfm
National Water Supply Expansion Program (NWSEP)	http://www.agr.gc.ca/env/index_e.php?section=h2o&page=h2o
Pest Management Regulatory Agency (PMRA)	http://www.pmra-arla.gc.ca/
Pesticide Risk Reduction	http://www.agr.gc.ca/env/index_e.php?section=pest&page=pr OR http://www.agr.gc.ca/env/pest/index_e.php?s1=red&page=intro

Planning Assessment for Value-Added Enterprise (PAVE)	http://www.agr.gc.ca/ren/plan/index_e.php?page=intro
Prairie Farm Rehabilitation Program (PFRA)	http://www.agr.gc.ca/pfra/
Price Pooling Program (PPP)	http://www.agr.gc.ca/nmp/ppp/index.html
Private Sector Risk Management Partnerships (PSRMP)	http://www.agr.gc.ca/brm_gre/psp/index_e.cfm
Production Insurance	http://www.agr.gc.ca/index_e.php?s1=prod&page=pi-ap
Public Service Modernization Act (PSMA)	http://laws.justice.gc.ca/en/P-33.4/256500.html OR http://www.hrma-agrh.gc.ca/hrmm-mgrh/psma-lmfp/index_e.asp
Renewal	http://www.agr.gc.ca/cb/apf/index_e.php?section=ren&page=ren
Ruminant Slaughter Loan Loss Reserve Program	http://www.agr.gc.ca/ren/ruminant/prog_e.php
Rural Secretariat	http://www.agr.gc.ca/policy/rural/
Specialized Business Planning Services	http://www.agr.gc.ca/ren/cfbas/spec_e.cfm
Spring Credit Advance Program (SCAP)	http://www.agr.gc.ca/nmp/scap/index.html
Sustainable Agriculture: Our Path Forward	http://www.agr.gc.ca/policy/environment/publications/sds3-sdd3/toc_e.phtml
The Canadian Rural Information Service (CRIS)	http://www.rural.gc.ca/cris/about_e.phtml
The Rural Lens	http://www.rural.gc.ca/lens_e.phtml
Watershed Evaluation of BMPs (WEBs)	http://www.agr.gc.ca/env/greencover-verdir/webs_e.phtml