



Agriculture and Agri-Food Canada

Performance Report

For the period ending
March 31, 1999

Canada

Improved Reporting to Parliament Pilot Document

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

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

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

©Minister of Public Works and Government Services Canada — 1999

Available in Canada through your local bookseller or by mail from

Canadian Government Publishing — PWGSC

Ottawa, Canada K1A 0S9

Catalogue No. BT31-4/1-1999

ISBN 0-660-61013-2



Foreword

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

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

This year, the Fall Performance Package is comprised of 82 Departmental Performance Reports and the government's report *Managing for Results* - Volume 1 and 2.

This *Departmental Performance Report*, covering the period ending March 31, 1999, provides a focus on results-based accountability by reporting on accomplishments achieved against the performance expectations and results commitments as set out in the department's pilot *Report on Plans and Priorities* for 1998-99. The key result commitments for all departments and agencies are also included in Volume 2 of *Managing for Results*.

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

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

As part of its ongoing efforts to streamline reporting requirements, the Treasury Board of Canada Secretariat has requested that Agriculture and Agri-Food Canada, Human Resources Development Canada, Indian and Northern Affairs Canada and Canadian Polar Commission, National Defence and Natural Resources Canada explore alternative reporting structures to this year's performance reports. It has, therefore, exempted these departments from having to follow the guidelines for the preparation of this report.

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

Comments or questions can be directed to the TBS Internet site or to:

Planning, Performance and Reporting Sector
Treasury Board Secretariat
L'Esplanade Laurier
Ottawa, Ontario, Canada
K1A 0R5
Tel: (613) 957-7042
Fax (613) 957-7044

AAFC 1998-99 PERFORMANCE REPORT CARD

OUR VISION:

We are a top performing team committed to the Global Excellence of Canada's farms and food.

OUR VALUES:

Integrity, Excellence and Valuing People.

BUSINESS LINE COMMITMENTS AND PERFORMANCE HIGHLIGHTS:



EXPANDING MARKETS

Market Access

- Developed a strong, cohesive negotiating position for 1999 WTO.
- Improved access to our 8 priority markets leading to a \$566 million increase of agriculture and agri-food exports in 98/99.

Market Development:

- The Agri-food Market Strategies (AIMS) process has supported 20 active market strategies covering 13 sectors:
 - total exports in the sectors represented by AIMS clients have increased significantly since 1995 - an increase of 49% from \$11.64 billion in 1995 to \$17.4 billion in 1998.
- AAFC contributed to enhancing the image as a reliable supplier of high-quality internationally competitive products by bringing products to eight key world food shows, which led to significant sales and potential follow-up sales:
 - SIAL '98: potential export sales of between \$6 million and \$11 million
 - Gourmet International '98: Expected to generate sales of up to \$20 million

Investment

- In order to improve the investment climate in the Canadian Agri-Food sector, a Federal/Provincial investment strategy was put in place.



INNOVATING FOR A SUSTAINABLE FUTURE

Innovation:

- Return on investment studies for research and development show the following net annual benefits:
 - Potatoes: \$220 million
 - Wheat: \$377 million
 - Hogs: \$590 million
- New stress-resistant crops developed, examples:
 - high quality winter wheat variety certified
- \$64.3 million in public and private sector dollars, matched one-for-one through the Matching Investment Initiative, was spent on collaborative research projects with commercial applications and which also provided many young scientists with their first work opportunities.

Sustainable Resource Use:

- Improved rural water management practices contributed to improved prairie water quality.

Integrated Policy and Decision Making:

- progress on AAFC departmental sustainable development strategy.



STRONG FOUNDATION FOR THE SECTOR AND RURAL COMMUNITIES

Policy Framework:

- By the end of 98/99, \$8.8 billion of potential assistance was available to help farmers with short-term income needs.
 - Net Income Stabilization Accounts: \$2.7 billion
 - Crop Insurance: \$5.5 billion
 - Agricultural Income Disaster Assistance: \$600 million
- \$78.4 million invested in the sector under the Canadian Adaptation and Rural Development Fund (CARD) and is expected to lever another \$75 million from industry and provincial contributions.

Rural:

- Funded over 230 projects under the Canada-Saskatchewan Agri-Food Innovation Fund.
- Federal, provincial and local government funded \$84 million in water-related infrastructure up grades and development in 20 rural Manitoba communities.

Co-operatives

- The new *Co-operatives Act* provides co-operatives with access to the administrative and financial tools to grow their businesses in a competitive marketplace.



SOUND DEPARTMENTAL MANAGEMENT

Shared Department Direction:

- Distributed AAFC's Corporate Strategic Plan to 4,200 staff, clients and parliamentarians to reinforce awareness of our priorities, objectives and plans.

Motivated, Representative and Productive Organization

- Aggressive three-year employment equity strategy in place.

Right Tools, Systems and Processes

- Year 2000 Readiness
 - By March 31, 1999, remediation and testing of AAFC's facilities and infrastructure was progressing on schedule, with completion targeted for September 1999.

Continuous Improvement

- Acted on 4 priorities identified in the staff survey:
 - training & development
 - management/staff communications
 - management leadership development
 - addressing issues faced by term employees

1998-1999 AAFC DEPARTMENTAL PERFORMANCE REPORT



WE ARE A TOP PERFORMING TEAM COMMITTED TO THE GLOBAL EXCELLENCE OF CANADA'S FARMS & FOOD

LYLE VANCLIEF, MINISTER OF AGRICULTURE AND AGRI-FOOD AND MINISTER COORDINATING RURAL AFFAIRS

AAFC

AGRICULTURE AND AGRI-FOOD CANADA

INTEGRITY ▼ EXCELLENCE ▼ VALUING OUR PEOPLE

TOPICAL INDEX

TOPIC	PAGE
Citizen Engagement	
• <i>WTO Negotiations</i>	4,8,9
• <i>Rural Partnership</i>	5,22-23,26,27,28-29
Environmental Sustainability	
• <i>Climate Change</i>	16,19,21,49-50, 52
• <i>Biodiversity</i>	19,49,51
• <i>Air</i>	14,16,21,49-50,52
• <i>Soil</i>	14,16,19,20,51-53
• <i>Water Quality</i>	14,19-20,49
Health and Safety	
• <i>Biotechnology</i>	5,15
• <i>Animal Health</i>	12
• <i>Canadian Agriculture Safety Program</i>	25
Rural	
• <i>Rural Partnership</i>	5,22-23,26,27,28-29
• <i>Canadian Adaptation and Rural Development (CARD)</i>	22,24-25,27
• <i>Business Planning for Agri-Ventures (BPAV)</i>	24, 27
• <i>Farm Business Management Program</i>	24
• <i>Canada-Saskatchewan Agreement on Rural Development</i>	27
• <i>Partnership Agreement on Water Based Economic Development</i>	27
• <i>Canada Agri-Infrastructure Program</i>	27
Science and Technology	
• <i>Biotechnology</i>	5,14,15-16
• <i>Scientific Capacity</i>	14,15
• <i>Crop Innovation</i>	17
• <i>Livestock Innovation</i>	17-18
• <i>Value-Added Products</i>	18
• <i>Partnerships (Matching Investment Initiative)</i>	18
• <i>Sustainable Resource Use</i>	19-21
Social Union	
• <i>Farm Income</i>	5,6,22,23-24
Youth	
• <i>Federal Youth Internship Program</i>	29

TABLE OF CONTENTS

1998-1999 AAFC DEPARTMENTAL PERFORMANCE REPORT

MESSAGE FROM THE MINISTER Turning Challenge into Opportunity	4
MESSAGE FROM DEPUTY AND ASSOCIATE DEPUTY MINISTER Through Commitment to Results	6
DEPARTMENTAL PERFORMANCE	
Performance Accomplishments by Business Line	7
1. Expanding Markets	8
2. Innovating For a Sustainable Future	14
3. Strong Foundation for the Sector and Rural Communities	22
4. Sound Departmental Management	30
FINANCIAL INFORMATION	
Table 1. — Summary of 1997-1998 Authorities	35
Table 2. — Summary of 1997-1998 Authorities	36
Table 3. — Historical Comparison of Total Planned Spending to Actual Spending	37
Table 4. — Revenue Credited to the Vote by Business Line	37
Table 5. — Revenue Credited to the GGR by Business Line	37
Table 6. — Transfer Payments by Business Line	38
Table 7. — Capital Projects by Business Line	41
Table 8. — Canadian Grain Commission Revolving Fund	42
Table 9. — Canadian Pari-Mutuel Agency Revolving Fund	42
SUPPLEMENTARY INFORMATION	
• AAFC Organization Chart	43
• Canadian Grain Commission	44
• National Farm Products Council	46
• Canadian Pari-Mutuel (CPMA)	47
CONSOLIDATED REPORTING	
• Sustainable Development Strategy	48
STATUTORY ANNUAL REPORTS	
• <i>Farm Income Protection Act</i> Annual Report	53
• <i>Farm Debt Review Act</i> Annual Report	59
• <i>Farm Improvement and Marketing Cooperatives Loans Act (FIMCLA)</i> Annual Report	60
• <i>Agricultural Marketing Programs Act (AMPA)</i> Annual Report	61



Throughout history, agriculture has faced great challenges. But today, as trade barriers fall and research opens up bold new fields, a more complex web of challenges stretches before us. The Canadian agriculture and agri-food industry's ability to turn those challenges into opportunities rests on the strength and stability of its foundation at home. Over the past year, we've been working hard to build on that foundation, providing the tools to face adversity and capitalize on opportunity.

Global Trade

To meet the global trade challenge, we are pursuing clear objectives. The industry is aiming for a 4% share of world agri-food trade by the year 2005, and we've been making good progress. Despite nosediving commodity prices in 1998 and shrinking markets in Asia, Russia and Latin America, we held our own last year with \$22.6 billion in exports — exceeding our record performance of 1997. More importantly, exports of processed goods grew by 9% and are now worth as much as our exports of bulk goods.

We are continuing to build on the success of Team Canada as well. I had the privilege of leading a trade mission to Latin America in September 1998. I also travelled to Asia in early 1999 to explore new opportunities for Canada's top-quality agriculture and food products. Only by promoting our products and our expertise abroad on an ongoing basis will we be able to seize the opportunities for joint ventures and expanded, profitable trade. But we must not forget that the largest market for our products is still right at our doorstep, in the United States. I believe it's important that we nurture this market as carefully as the others, and don't take it for granted. I was in Washington last December, and more recently in Chicago, to build closer links with our trading partners, potential investors and customers, and to keep trade flowing smoothly between our countries.

WTO Negotiations

Trade targets and well-executed market strategies are just part of the equation. Improving international trade rules is another, very important part. If Canada is to further expand trade — with all the jobs, wealth and other economic spinoffs that brings — we need a successful result from the next round of World Trade Organization talks, set to begin later this year.

I have made WTO consultations a top priority over the past two years. I've met personally with industry groups and travelled to regional meetings to hear as many perspectives as possible. I was pleased to see the full spectrum of the agri-food industry at our national conference in April. My personal mission has been to promote and protect the interests of the Canadian agriculture and agri-food industry, not just at the negotiating table, but everywhere I go.

Solid Foundations

Meanwhile, we have continued to provide a solid foundation for the sector at home. One of the greatest challenges of the past year was the sharp drop in many farmers' incomes. The federal government responded with up to \$900 million in agricultural disaster assistance, and all provinces agreed to chip in, bringing the total available support up to \$1.5 billion.

Once again, we invested more than \$600 million a year in our current farm safety nets, even as we worked to re-tool the system to better meet the needs of producers. I have been working with provincial ministers to create the best possible mix of risk management tools, building on our experience with the current system.

A challenge facing rural communities lies in our ability to listen and respond to rural Canadians' needs and concerns through *Rural Dialogue* and, subsequently, to apply a "rural lens" to federal policies, programs and services to ensure that sufficient consideration is given to the effect on rural Canada in terms of program accessibility and decision-making flexibility.

Biotechnology

Whether at home or abroad, food quality and safety remain the cornerstones of our success, and we have maintained the move to a better, more efficient food safety system.

Despite the excellence of our food safety system, I am aware that some concerns remain, particularly in relation to biotechnology. In Canada, all agricultural products go through a rigorous process to make sure they are as safe and nutritious as foods already on the market. In addition, we renewed our Canadian Biotechnology Strategy this past year, with the aim of further enhancing our regulatory system so it offers the greatest possible protection while allowing Canadian producers and consumers to take advantage of the benefits provided by biotechnology.

Investing in Innovation

With the right safeguards in place, the potential benefits are many: greater productivity, reduced pesticide use, a sharper competitive edge and jobs for Canadians. Canada is already one of the world's leaders in this new scientific frontier, and as science forges ahead, we will remain on the forefront. This year's federal budget contained an additional \$17 million for agricultural biotechnology research.

We also carried on with other research investments, including \$64.4 million through the Matching Investment Initiative last year. Under this program, we matched industry's spending on more than 950 collaborative research projects.

By continuing to build on the many strengths of the Canadian agriculture and agri-food industry — its people, its products and its expertise — I know we will continue to rise to the challenge and seize the opportunities of global excellence.

Lyle Vanclief
Minister of Agriculture and Agri-Food and
Minister Coordinating Rural Affairs



Frank Claydon
Deputy Minister



Michelle Comeau
Associate Deputy Minister

Commitment to Global Excellence

The Canadian agriculture and agri-food sector is a vigorous component of the Canadian economy, contributing nearly 9% of the GDP. Nearly one in seven Canadians — from the farmer in the field, to the highly-skilled processor, to the innovative scientist — is employed, directly or indirectly, in the sector.

“Global Excellence” is the overarching driving force guiding the actions and achievements of the Department. Global excellence is about having the know-how and the quality products to succeed in the international marketplace. It’s about having the innovative research that not only maintains our competitive edge but moves us out far ahead. It’s about partnerships, pride and people.

It’s what Agriculture and Agri-Food Canada (AAFC) is about.

AAFC is committed to promoting and supporting, in a sustainable manner, a growing, competitive, market-oriented agricultural and agri-food industry and to the promotion of rural community economic development. To achieve these objectives, the Department is structured around four business lines:

- *Expanding Markets;*
- *Innovating for a Sustainable Future;*
- *Strong Foundation for the Sector and Rural Communities;* and
- *Sound Departmental Management.*

These four business lines work together to build a prosperous, self-reliant industry that is equipped with the tools it needs to achieve domestic and global excellence.

Measuring our results is as important as our commitment to achieving success. Knowing where we’ve been and how we’ve done, helps mark the next steps. Through our business lines and our commitment to Performance Measurement through Key Result Areas (KRAs), we are able to better define our goals and we are better able to target our efforts — thereby delivering on client priorities while fostering a productive organization.

During the 1998-1999 period that this report covers, the Department of Agriculture and Agri-Food Canada faced a number of key challenges — many of which traversed the departmental business lines, and indeed, the federal government as a whole. Among these challenges were:

- *The new consumer:* The sector is under increasing pressure to produce products that meet the changing needs of consumers, both here and abroad. Shifts in demographics, concerns over health and food safety, and environmental issues are just a few of the forces creating the “new consumer.”
- *The expanding global marketplace.* Increased competition from all corners of the world must be matched by our own increased productivity throughout the food chain, by developing new markets and expanding our efforts in existing ones, and by negotiating the best possible trade access for our products.
- *The farm income crisis.* Unprecedented extreme weather events, fluctuating commodity market conditions, and global economic turmoil combined to produce dire situations for many Canadian farmers.

The road to the future for Canada’s agriculture and agri-food sector is marked by these challenges, but it is paved with new ideas and creative thinking — and with progress spurred by our commitment to results.

ACTUAL EXPENDITURES BY BUSINESS LINE



AAFC BUSINESS LINES — Objectives and Key Result Areas (KRAs)

Expanding Markets

The *Expanding Markets* business line's objective is to work with industry and other partners to improve and secure market access and enable the agri-food sector to capture opportunities for trade in domestic and export markets, with a focus on higher-value agri-food products; and to increase domestic and foreign investment in the sector. The KRAs include:



- *market access*: improved and more secure access to international markets and reduction in internal barriers to trade;
- *market development*: contribution to increased sales of Canadian agricultural and agri-food products;
- *investment*: contribution to enhanced capability to supply internationally competitive Canadian agricultural and agri-food products.

Innovating for a Sustainable Future

The *Innovating for a Sustainable Future* business line's objective is to work with industry and other partners to support the sector's efforts to develop and produce competitive products and processes in an environmentally sustainable manner. The business line's KRAs include:



- *innovation*: increased development, availability and adoption of products, processes and practices that contribute to competitiveness and environmental sustainability;
- *sustainable resource use*: increased adoption and utilization of sustainable land and water management systems that affords greater economic security;
- *integrated policies and decision-making*: integration of environmental and economic considerations into departmental, sectoral, community and individuals' decision-making.

Strong Foundation for the Sector and Rural Communities

The *Strong Foundation for the Sector and Rural Communities* business line's objective is to work with industry, provinces, and other partners to enhance the sector's economic viability, while strengthening opportunities for rural community economic development. KRAs include:



- *policy framework*: an agri-food policy framework that enables the sector to respond to emerging opportunities and adapt to a changing economy;
- *rural economy*: a rural Canada better equipped to reach its potential;
- *co-operatives*: a federal policy framework that supports the development of cooperatives.

Sound Departmental Management

The *Sound Departmental Management* business line's objective is to provide the Department with the capacity, capability and appropriate support services to achieve results for the sector and Canadians in a sound manner. This business line's KRAs collectively represent a visible demonstration that the Department is operating in keeping with the principles of sound management, and include:



- *a shared departmental direction*: that guides the strategic, business and financial planning of the Department;
- *a motivated, representative, high-performance workforce*: operating in a renewed, revitalized and productive environment;
- *the right tools and a supportive environment*: including technical and support services for informatics, capital planning, physical plant and security services; and
- *an organization that is committed to continuous improvement*: that is definable and measurable through performance measurement and accountability mechanisms.



EXPANDING MARKETS

Operating Environment

1998 figures indicate that the industry is making progress toward Canadian Agri-Food Marketing Council's (CAMC) export goal, especially with increased exports of processed products to our major trading partner, the United States. The performance of the processed sector's exports is very encouraging and has contributed to Canada's overall agricultural and agri-food positive trade surplus. This performance has been achieved despite the serious economic problems that disrupted global markets during this period, especially those in Asia and Latin America.

- Canadian agriculture and agri-food exports increased from \$13 billion in 1993 to \$22.6 billion in 1998.
- 76% of Canadian processed food exports are now being sold to the US market, compared to 59% in 1988. This represents an increase from \$2.1 billion in 1988 to \$8.1 billion in 1998.
- The value of grains and oilseeds exports declined 14% from 1997 to 1998.
- Canadian food and beverage exports increased by 9% from 1997 to 1998.
- Processed food exports are continuing to perform remarkably well, doubling since 1993; food and beverage sales to Canadian consumers stand at slightly more than \$94 billion.

To be successful in meeting the CAMC goals, the agri-food sector will have to capitalize on the higher value-added and strong trade performance of processed products. The Canadian food and beverage processing sector will need to grow from \$54 billion in shipments in 1997 to over \$80 billion by 2005 — a significant growth of about \$26 billion. Estimates indicate that success in meeting industry's goals could mean a contribution of anywhere from 120,000 to over 170,000 jobs for Canadians.

KEY RESULTS

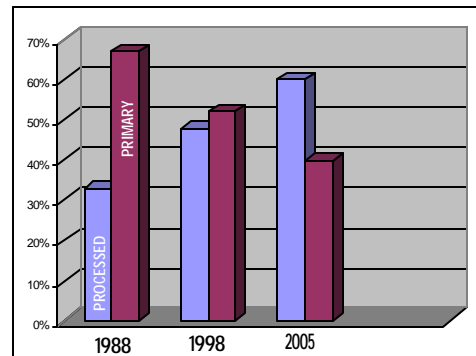
- 1. WTO negotiations:** Preparations are well underway for the next Round of WTO multilateral trade negotiations. In order to build a solid framework for negotiations, extensive consultations were successfully held with the provinces and representatives of the agriculture/food/beverage industry in all regions of Canada throughout 1998-99. These consultations brought forward stakeholders' views and have provided the basis for a coherent national approach that will ensure a unified, credible and compelling Canadian negotiating position.
- 2. Keeping the doors open:** We continued our efforts to maintain and improve access for Canadian agriculture and agri-food products to our eight priority markets, including our major traditional market, the US. The sector saw an overall gain of \$566 million in 1998-99 for our agriculture and agri-food exports to the priority markets (United States, Mexico, European Union, Japan, China/Hong Kong, Taiwan, South Korea and Brazil).
- 3. Developing key markets:** The Agri-Food Industry Market Strategies (AIMS) process has supported 20 active market strategies covering 13 sectors in the agriculture and agri-food industry. Total exports in the sectors represented by AIMS clients have increased significantly since 1995 - an increase of 49% from \$11.64 billion in 1995 to \$17.4 billion in 1998.
- 4. Promoting the sector:** To enhance Canada's image as a reliable supplier of high quality internationally competitive products, we took Canadian products to eight key world food shows. Among them, SIAL '98 featured over 40 Canadian exhibitors and is expected to result in subsequent sales of from \$6 to \$11 million in agri-food exports. Gourmet International, held here in Canada in June 1998, is expected to give rise to \$20 million in sales.
- 5. Investing in Canada:** For both 1996 and 1997, investment in the agri-food sector has been about \$1.7 billion per year, which has been higher than the average over the decade and a significant improvement in relation to pre-CUSTA levels. In July 1998, federal/provincial ministers accepted a Federal/Provincial Agri-Food Investment Strategy — a unique agreement which will foster a close federal-provincial partnership in investment development and a new focussed approach to investment in our sector for the future.

FOR MORE DETAILED INFORMATION, CHECK THE INTERNET AT: <http://www.agr.ca/rpp/dpre.html>

On the international front, with the World Trade Organization (WTO) negotiations on agriculture scheduled to begin in late 1999, our priority has been to advance a coherent national approach in the international forum. This has meant refining our internal position to ensure it is consistent and inclusive, giving us a solid framework on which to conduct negotiations. We also continued to work to maintain and improve Canadian access to our eight priority markets, including our major traditional market, the U.S.

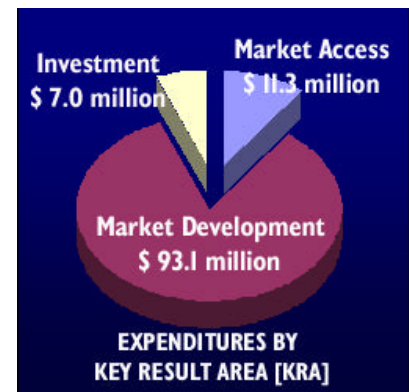
EXPORTS OF PRIMARY PRODUCTS AND PROCESSED AGRI-FOOD PRODUCTS 1988, 1998 and 2005 [projected]

■ PROCESSED
■ PRIMARY



Domestically, the sector is under increasing pressure to produce products that meet the changing needs of consumers. Shifts in demographics, concerns over health and food safety, and environmental issues, are just a few of the agents of change. At the same time, the Canadian industry is faced with greater competition from global exporters. Success depends on our sector’s ability to produce convenient, competitively priced products of consistently high quality, as well as upon Canada’s skill in identifying emerging product opportunities (e.g., nutraceuticals/functional foods). It is increasingly critical that all links in the supply chain work together, if we are to continue to succeed.

Improved Integration of Services: AAFC, through the Expanding Markets business line, contributed actively (with the Department of Foreign Affairs and International Trade (DFAIT) and Industry Canada (IC)) to the federal government’s International Business Development (IBD) Strategy and “**Team Canada Inc**” (TCI) — Canada’s international business development network which provides single-window access to an integrated program and services framework to assist Canadian exporters and the development of their products. The Agri-Food Trade Service (ATS) provided new and existing agri-food exporters in 1998-99 with international market information, intelligence, export counselling and export support programs.



Does not include National Farm Products Council or Canadian Grain Commission expenditures.

YEAR IN REVIEW — Business Line Performance

MARKET ACCESS

Negotiating trade agreements:

- The Expanding Markets business line continued its role in maintaining and securing new access to markets for Canadian agriculture and agri-food products.
- A top priority was the maintenance of access to our major traditional market, the US. In 1998, agri-food exports to the U.S. totalled \$12.8 billion.
- AAFC has been conducting extensive consultations with the provinces and agriculture/food/beverage industry stakeholders in order to develop Canada’s initial negotiating position for the next round of WTO agriculture negotiations, which will continue the trade reform process.
- WTO Next Round Conferences were successfully held in all regions of Canada throughout 1998-99. These stakeholder consultations culminated with a Federal-Provincial-Industry Conference in April 1999.
- In negotiating trade access on the bilateral front, we obtained from Taiwan, as part of the WTO negotiations, an immediate reduction of 50% on that territory’s canola seed and oil tariffs. This reduction achieves tariff parity with competing oilseed products, a major goal of the Canadian oilseed industry.

- The renegotiation of the Canada-Israel FTA was launched. Since the implementation of this agreement, our agri-food exports to Israel have increased by 64% (close to \$15 million in 1998.)
- Negotiations have also been launched to create the Free Trade Area of the Americas (FTAA). Agri-food exports to the area, including the US, reached \$14.7 billion in 1998.



In 1998, after years of negotiating annual derogations to permit the import of durum wheat at a lower tariff, Canadian government officials succeeded in convincing the EU Commission to establish a more appropriate tariff classification, thus assuring its entry at a lower tariff rate. In the past, EU imports of Canadian durum wheat at the lower tariff rate have reached \$250 million versus \$110 million in years without the derogation.

Resolving barriers to domestic and international trade:

- Continued access for Canadian tallow exports to the EU has been negotiated. Current tallow exports to the EU amount to almost \$50 million.
- On the resolution of trade disputes, we achieved the removal of US state restrictive actions against imports from Canada and agreement on the Canada/US Record of Understanding and a 17-point Action Plan to improve management of Canada/US two-way agricultural trade valued at \$22.9 billion in 1998, up from \$13.8 billion in 1993.
- Discussions were also launched with the EU on increased market access for Canadian wine. Currently, Canada exports \$1 million of wine to the largest wine market in the world. Once improved access is achieved, exports are forecast to exceed \$10 million within 5 years. In addition, improved access and recognition by the EU will also bring benefits in other wine markets for Canadian exports.

In 1996, US fresh tomato and bell pepper producers asked the United States International Trade Commission (USITC) to impose safeguard tariffs in order to protect them from imports. Canadian government and industry officials argued against the petition, claiming Canadian exports were not seriously injuring US producers. The USITC agreed and terminated its investigation. Exports of fresh tomatoes to the US have risen from \$25 million in 1995 to \$148 million in 1998 and bell peppers from \$16 million to \$49 million over the same period. This growth may not have been possible without the efforts of AAFC to maintain access to markets.



Advancing Canadian interests through the activities of international bodies:

- Agricultural trade reform was maintained as a high profile item on international organizations' agendas, including the Cairns Group Meeting in April 1998.
- Canada's Action Plan on Food Security was completed and presented to the FAO. This plan is Canada's commitment to work toward food security at home and abroad as agreed at the 1996 World Food Summit in Rome.

MARKET DEVELOPMENT

Coordinating a strategic approach to export market development:

- We continue to provide core support to the International Business Development (IBD) Strategy and Team Canada Inc (TCI) to improve our export efforts and service to Canadians.
- Canada's International Business Strategy for Agriculture, Food and Beverages 1998-99, developed jointly by federal and provincial governments in consultation with industry, provided a strategic approach which enabled both levels of government to better focus and coordinate activities in eight priority markets.
- To support this challenge, plans for four emerging markets (Singapore, Philippines, Russia and Colombia), providing a more focused/strategic approach to export market development, were delivered to Federal/Provincial Ministers of Agriculture in July 1998. These plans will assist the Canadian industry in taking advantage of these emerging markets.



Access Latin America Initiative: In February 1998, close to 700 one-on-one meetings took place between Canadian suppliers and Latin American buyers in Toronto, Montreal and Moncton. A six month follow-up survey on the February initiative has indicated that an estimated \$1.2 million of sales took place as a result of the meetings, and that an additional \$1.8 million in sales will take place over the next six months. 84% of the buyers felt they had made appropriate connections with Canadian food and beverage exporters that could lead to sales, while 90% had either a good, very good or excellent impression of Canadian products and producers. Close to 90% of companies in Ontario, Quebec and Atlantic Canada felt that they had made connections that did or could lead to exports to Latin America.

Providing programs and services to promote growth in export/domestic markets for products/companies:

- We continued to support ExportSource, a service developed by the Team Canada Inc partners to link Internet sites government-wide and provide immediate market information on regulations, financing, statistics, trade shows, missions and more. Promotions and the coordination of missions are also key elements of the ATS.
 - *Access Canadian Excellence*, Minister Vanclief's trade mission to Latin America in September 1998, paved the way for the signing of bilateral agreements which will lead to improved access for Canadian exports to these markets.
 - We organized several incoming missions from the USA, Europe, Latin America and Asia to facilitate Canadian companies' export expansion goals. For example, buyers participating in the *Access Asia 98* mission expected to make \$5 million in purchases as a result of their contact with 163 Canadian food and beverage suppliers from across Canada. Also, as a result of incoming foreign journalists' visits, several articles promoting the quality of Canadian agri-food products were published in trade food magazines aimed at foreign retail and foodservice sectors.
- To promote demand for Canadian food and beverages in priority and emerging export markets, we coordinated a major industry presence in eight of the world's key international trade shows, including SIAL, FODEX, and here in Canada, Gourmet International.
 - A total of 41 Canadian specialty food companies exhibited within the national stands at the Summer (New York, June 98) and Winter (San Francisco, January 99) Fancy Food Shows, and reported making on-site sales worth \$1.5 million and identifying 822 leads expected to generate follow-up sales of \$9.1 million.
 - In May 1998, at the FMI Show in Chicago, 12 Canadian food and beverage companies expected sales leads to generate \$1.3 million in the six months following the show.
 - The 24 Canadian manufacturers who exhibited within the national stand at the 1998 PLMA Private Label Trade Show (November 98) made on-site sales worth \$500,000 and identified 269 leads expected to generate follow-up sales of \$5.6 million.
 - From SIAL'98, reports indicate that 41 exhibitors participated in the Canadian Pavilion, our largest contingent ever at SIAL - based only on the 24 who have provided feedback to-date, there were 387 solid new leads, which could translate into export sales between \$6 million and \$11 million.
 - In March the Canadian Stand at Foodex '99 included nearly thirty Canadian companies which identified a total of 392 solid sales leads. 16% of exhibitors expected sales in excess of \$500,000; 4% expected sales between \$250,000 and \$500,000, and 20% anticipated sales between \$100,000 and \$250,000.

Gourmet International:

On June 9, 1998, the Gourmet International Bio-Food Fair was a resounding success, not only attracting a record number of exhibitors (84) and international buyers (104), but also posting the highest estimated sales volume since the fair began in 1991.

A survey of participating firms indicated that forecast sales, in the twelve months following the event, should total over \$20 million. The fair received buyers from the US, Asia, Latin America, Africa, the Middle-East and Europe, in addition to Canadian buyers.



- The Agri-Food Trade (AFT) 2000 program has contributed and continues to play a major role in increasing Canada's export of agriculture and agri-food products by supporting the agri-food industry efforts to expand domestic and international markets.



AAFC worked with a broad industry/government group to redesign the nomenclature system used to describe beef cuts sold at retail. The new system has been widely adopted and has resulted in a much more "consumer-friendly" beef retail case. The system has been copied by the US industry and is now being modified to meet the needs of Canada's pork producers.

AFT2000 expenditures increased by 31% to

\$11.1 million, supporting 133 projects, up from 71 the previous year. The Agri-Food Industry Market Strategies (AIMS) process played a key role in developing new export markets, and consequently, increasing Canada's agri-food exports. In 1998-99, there were 20 active strategies covering 13 sectors in the agriculture and agri-food industry. In total, AAFC provided \$5.4 million in assistance to these groups which contributed to maintaining Canadian exports in the face of significant international weakness in primary commodity prices.

- Since the inception of AFT2000 in 1995, the number of major export markets for sectors represented by key AIMS clients have grown by more than 25% (e.g., from 114 in 1995 to 143 in 1998). As of March 1999, it is estimated that more than 145 countries are being targeted through AIMS strategies.
- Total exports by sectors represented by AIMS clients have increased significantly since 1995. The dollar value of those exports increased by 49% from \$11.64 billion in 1995 to \$17.4 billion in 1998.

AIMS

Value-added exports have contributed significantly to the increase in exports by key AIMS clients. For example, exports of:

- frozen vegetables have increased by 119% from \$211 million in 1995 to \$462 million in 1998.
- processed foods (consumer-oriented products) have increased by about 56% to \$9.1 billion in 1998 from \$5.8 billion in 1995.
- beef and beef products have more than doubled to \$1.3 billion in 1998 from \$633 million in 1995.

INVESTMENT IN THE AGRI-FOOD SECTOR

Coordinating a strategic approach to investment:

- In July 1998, Ministers accepted and approved the Federal/Provincial Agri-Food Investment Strategy, which was developed in close partnership with the provinces.
- AAFC helped address a number of investment climate concerns, including regulatory issues such as fat free, competitively priced agricultural inputs, and worked with Revenue Canada to increase the accessibility to Scientific Research and Experimental Development Tax Credits by the food industry. Taken together, these issues have been of concern to a significant portion of the \$54 billion agri-food processing sector. For example, resolution of North American harmonization of Canada's fat-free claim criteria resulted in 270 new fat-free labelled products from 60 firms being introduced to the Canadian market and related investments by at least 8 firms.

AAFC's investment activity takes place in a dynamic investment environment characterized by strong, steady growth; in turn, AAFC's activity contributes to the strength of the sector. The pattern of steady growth is demonstrated by the following:

- Viewed in terms of capital expenditure (expenditure on machinery, equipment and construction) investment in the Canadian agri-food sector is relatively stable, remaining between \$1.4 and \$1.7 billion annually. This range is significantly higher than the pre-CUSTA (Canada-United States Trade Agreement) plateau of roughly \$800 million. In addition to capital expenditure, \$400 to \$700 million is spent annually on repairs to capital items.
- Investment viewed in terms of Foreign Direct Investment (FDI) provides another perspective on the processing sector. FDI statistics involve a significant limitation as they include mergers and acquisitions, but nonetheless provide useful insight into the state of the processing sector.
- Over the past decade, the Canadian agri-food sector has exhibited higher propensity to attract FDI than the Canadian economy as a whole. This is evident from the increase in sector share of total FDI in Canada from 6.6% in 1985 to 9.5% in 1995, while FDI stocks in the food processing sector grew from \$6 billion to almost \$16 billion.

Providing programs/services and supporting alliances to encourage domestic/international investment:

- Interest in doing business in Canada was actively generated from an Agri-Food Team Canada mission to Northern Italy. A mission to Asia, with a focus on food ingredients, is expected to result in a new joint venture investment in Canada and an earlier mission to Europe with a focus on agricultural technology, resulted this year in two plant investments totalling \$95 million.
- Three strategic alliances are being formed between Canadian and French firms following a workshop at SIAL'98. AFT2000 support also facilitated the development of an export alliance of 5 Canadian firms and resulted in new investment for Canada.
- Four rapid response teams assisted food companies in maintaining and/or expanding operations and export product mandates in Canada. Two additional multinational enterprises in the hog sector have recently relocated to Canada, thanks to strong Team Canada efforts.
- AAFC's Deputy Minister, in his role as Country Champion for the Central US, aggressively markets Canada as the investment destination of choice. During the year, he met with senior level executives in four companies representing a variety of sectors and delivered a keynote speech on investing in Canada to a business audience.
- An investment component was created for Minister Vanclief's Asian Mission (this is the first trade mission to include an investment component). Minister Vanclief met with a selected group of Hong Kong investors to encourage them to direct a greater share of their Foreign Direct Investment to Canada (these companies' total sales equal \$3.3 billion for all products).



Highlighting the projects undertaken in 1998-99 was the development of an artificial vision-based robot that automates the cutting of pork bellies. This robot has been installed in two Canadian pork cutting operations and has attracted considerable interest from US firms. It also resulted in the creation of a new marketing company "Les Robotiques Riopel."

Supporting the agri-food sector to increase its capability to supply competitive products:

- AAFC also worked to create an improved Canadian business climate for food processors through the promotion of new products/technologies, enhanced accessibility to competitively priced agricultural inputs, and identification and encouragement of the development of Canadian-based agri-food multinational enterprises.
- An analysis was undertaken to estimate the level of productivity in the Canadian food and beverage processing sector and to gain greater understanding of its competitiveness. Between 1988 and 1996, the productivity of the food and beverage sectors declined 7% and 0.2%, respectively, although other estimates suggest more stability – it is generally considered that productivity in Canada remains noticeably below that of the US.
- The Investment Capital Workshop, support by AAFC's AFT2000 program, was attended by 160 company and sector officials and 30 representatives from the financial community. The primary goal of the project was to ensure a better appreciation of the investment opportunities offered by the sector and its sophisticated, competitive and technologically advanced nature.
- Access to investment capital was improved through the increased use of loan guarantee programs under the *Farm Improvement and Marketing Cooperatives Loans Act* (FIMCLA) to encourage investment in modern technologies and new facilities. A total of 8,641 loans representing \$259 million were guaranteed by the government.



A new stockyard facility in Williams Lake, B.C. was built with a \$1.6 million federal FIMCLA loan guarantee. This allowed the B.C. Livestock Producers Cooperative Association to replace its existing stockyard with new facilities at a new site. This will help it become more competitive by increasing efficiencies and improve service to its members. Rural communities, such as Williams Lake, will also benefit from the new facility. It will be able to generate revenue from other activities such as horse auctions and equipment sales thus creating jobs and growth in the surrounding communities.



INNOVATING FOR A SUSTAINABLE FUTURE

Operating Environment

The Innovating for a Sustainable Future business line pursues its objectives through an extensive network of research centres and field offices, working in partnership with provinces, universities, communities and private sector research organizations. It seeks to find new and innovative ways for the agriculture and agri-food sector to reduce costs and increase productivity throughout the food production chain, develop and promote practices that are safe and environmentally sound, and improve the quality and safety of agricultural and agri-food products. It also assists in the development of policies and programs in support of long-term sustainability. During the reporting period, the operations of this business line were driven by three key areas: environmental issues; scientific capacity; and biotechnology.

Environmental Issues

- **Climate change:** Canadian agricultural activities both produce GHG (greenhouse gas) emissions (about 10-12% of the country's), and reduce emissions (certain agricultural practices, such as conservation tillage, the use of perennial forages and pastures, and tree shelters, function as "holding tanks" for carbon). In order for the sector to play its role in achieving Canada's Kyoto commitments, the business line, in consultation with industry and other stakeholders, identified 17 agri-environmental indicators, or benchmarks, for four main environmental areas; air, soil, water quality, and sustainable farm management. (Report to be published in Fall 1999.)
- **Sustainability:** The National Soil and Water Conservation Program (NSWCP) helped the agriculture and agri-food sector address their priority environmental sustainability issues. This program, highly regarded by industry, leveraged significant sectoral support, and was concluded at the end of this fiscal year. In Ontario, for example, \$2.5 million of NSWCP funds supported 40 projects with a total value of over \$7 million, and similar examples of the success of this program can be found across the country. A survey of the industry to determine the impact of NSWCP is underway.

KEY RESULTS

1. **Taking care of the air and soil:** "The Health of Our Air" was published, joining our other environmental awareness report, "The Health of Our Soils." Both provide numerous examples of how increased agricultural productivity can go hand-in-hand with reducing pollution.
2. **New Stress-resistant Crops:** Many new cultivars were certified, some featuring improved resistance (less fungicides), some with new features targeted for niche markets, many designed to perform well under minimum tillage regimes (less erosion, greater productivity).
3. **New Animal Production and Protection Systems:** Intensification of agricultural production can pose risks to soil and water resources. Through the combined efforts of the federal and provincial governments and the hog industry, the Hog Environmental Management Strategy (HEMS) has been put in place as a single source of information to assist the hog industry to address environmental problems. With the help of Policy Branch - Environment Bureau, a new web site called "ManureNet" has been developed that greatly facilitates sharing of information and coordination of activities across Canada.
4. **MII - Government and Industry Teamwork:** The MII or Matching Investment Initiative is enabling private sector partners to not only contribute to research projects with commercial applications but also to provide many young scientists with their first employment opportunity. Private and public dollars, matched one-for-one, amounted to \$64.3 million in 1998-99 in funding for collaborative research.
5. **New Water Quality Technologies:** Safe, reliable, abundant water is essential to rural communities and an engine for growth. The RWDP, Rural Water Development Program invested \$5.6 million developing and introducing new technologies and practices to assist farmers in managing and sustaining this critical resource.
6. **Agri-food Environmental Policy Framework:** This fiscal year marked the first full year of the implementation of our Sustainable Development Strategy three year action plan. The goal is to help management in the department and the sector make environmental considerations a part of their day-to-day decisions.

FOR MORE DETAILED INFORMATION, CHECK THE INTERNET AT: <http://www.agr.ca/rpp/dpre.html>

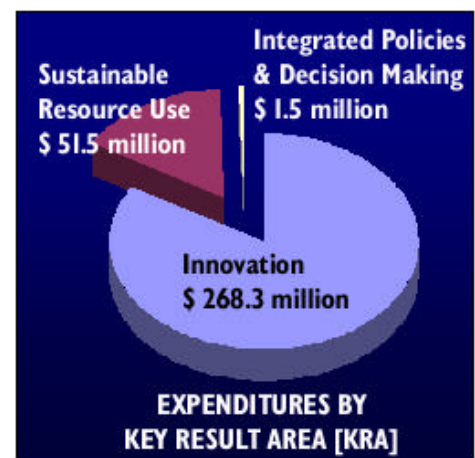
Scientific Capacity

- **Long-term goals.** The low commodity prices that have contributed to the farm income crisis are predicted to continue for another few years. During this time, while many efforts focus on immediate relief, the business line is maintaining a focus on long-term goals of: increasing production from existing crops; developing and introducing new, higher-yielding, more resistant, better quality crops; expanding livestock production and quality; and introducing new value-added food and non-food products and processes;
- **People, Facilities, Equipment, Institutional Agreements and Linkages.** Successfully achieving our goals will, in great part, be the result of science and technology. This business line is committed to maintaining and enhancing the integrity of the federal agri-food science community and its capacity to fulfill its diverse legislative mandates and public policy missions. We are working to ensure that highly qualified personnel, modern plant and research equipment, effective and efficient research management practices and productive partnerships are in place to meet the challenges of year 2000 and beyond. The Graduate Opportunities Fund and the Matching Investment Initiative (MII) are examples of two of the programs in place to help build our scientific capacity.

Biotechnology

Agricultural biotechnology can shorten product development cycles, reduce research costs and introduce crops that are more resistant to disease, insects, and changing climate conditions. For farmers it can mean plants that require less chemical pest control products. For consumers it can mean new choices in the marketplace, such as products with health benefits and health care products.

- **World leadership.** Revenue in Canada from biotechnology products and services is now estimated at about \$1.14 billion annually. About one-third of that revenue is generated by the agriculture and agri-food sector, and this is predicted to increase 45% annually over the next decade. These developments will reinforce Canada's world leadership in agricultural productivity and environmental stewardship.
- **Partnerships at home and abroad.** Biotechnology provides important research tools at all 18 AAFC research centres, and we are a recognized leader and sought-out partner in research and technology development with countries around the world. The AAFC Research Centre in Saskatoon, for example, has recently completed two important phases of canola genomics research.
- **Building on our strengths.** The government's commitment to the rapidly growing biotechnology sector was underlined by the renewal of the Canadian Biotechnology Strategy, announced August 6, 1998. The 1999 Federal Budget included an investment of \$55 million in a range of technologies to work with life's basic building blocks through a national initiative on genomic research involving seven departments and agencies. AAFC will use \$17 million of these funds for a new initiative on plant genomic research. The AAFC program will incorporate Canada's historic strength in cereal and oilseed breeding and plant biology into a genomics-based gene discovery initiative. One of the cornerstones of our research efforts is the safety of new products and processes.
- **People are our priority.** Approximately 75% of processed foods now contain ingredients resulting from biotechnology. There is a growing concern, both in Canada and in some of our key export markets, over the safety of the products of transgenic research, and some countries have even legislated against imports of genetically modified foods. AAFC participates in an inter-departmental working group on Ethics and Public Confidence and Biotechnology. This group is coordinating the development of discussion papers on ethics frameworks and on public confidence in biotechnology. These topics are also on the agenda of the recently formed Canadian Biotechnology Advisory Committee.



- **Intellectual Property and Freedom to Operate.** The ground rules surrounding intellectual property and research are rapidly changing, and drastically affecting traditional practices, approaches and costs, in particular for patent searches associated with research. These are important issues and challenges that have been identified by the Council of Science and Technology Advisors (CSTA) and will require our immediate attention in order to succeed in the increasingly complex and interdependent world of agricultural research.

YEAR IN REVIEW — Business Line Performance

INNOVATION

We have completed a number of studies on the impact of agri-food research and development activities on the sector and these are an excellent indicator of our performance. Extensive ROI (Return on Investment) studies have been completed on potatoes, wheat and hogs. A study on forages will be completed next fiscal year.

As shown on the previous page, the annual expenditure for agri-food research and development activities was approximately \$268.3 million. The chart below illustrates that the benefits that accrue to the Canadian economy each year from Wheat research alone (\$377 million) exceed the typical annual expenditures for all our R & D activities.

ROI - RETURN ON INVESTMENT STUDIES - SUMMARY RESULTS

Results	Potatoes	Wheat	Hogs	Total
ROI	28%	34%	53.7%	n/a
Benefit/Cost	10:1	10:1	6.4:1	n/a
Net Benefit/Year	\$220M	\$377M	\$590M	\$1,187M

Conserving the environment has become one of our key research priorities. Products, processes and practices that benefit the environment often go hand-in-hand with higher yield and quality. A few examples follow:

- **Completion and publication of “The Health of Our Air.”** A culmination of six years of research, this report was published in early 1999. An electronic version is available on the Web (www.agr.ca/research/branch/). This publication joins “The Health of Our Soils,” and together they demonstrate how increased agricultural productivity and taking care of the environment are often compatible objectives.



“The Health of Our Air” has been acclaimed by the Canadian Climate Program Board as a best practices example for other sectors.

- **Manure Management** - An improved manure treatment system was recently developed that increases the take up of nitrogen by the plant. This new system lowers the risk of phosphorous build-up and nitrogen runoff. In addition to improving fertilizer value, the system allows for the recuperation of biogas (methane) which can be used as an energy source similar to propane and natural gas.

Innovation for crops

Many new barley cultivars feature improved resistance, and have reduced the need for expensive fungicides. New durum wheat cultivars have increased gluten strength, a desirable, marketable feature. Yield and quality increases have been attained with similar management practices. The new cultivars are able to utilize nutrients more efficiently than the older ones and perform well under minimum tillage regimes designed to reduce erosion and increase productivity. In addition, 32 cultivars not requiring registration were developed in new hardy ornamentals, perennials and shade trees. A few highlights follow:

- **High Quality Winter Wheat Variety Certified** — Winter wheat, which is planted in the fall and must be hardy enough to survive the winter, has a number of advantages. It can produce a high-quality feed grain that matures 3-4 weeks earlier than normal varieties. It helps in the conservation of soil and air quality by helping reduce wind and water erosion. AC Bellatrix, a new variety, should contribute to the further expansion of winter wheat planting in the Prairies, which has grown by 40% in the last year, from 66,800 hectares in 1997, to 95,100 hectares in 1998.
- **First Ever Cereal Corn Tendered to CanMaize** — This corn has been dubbed as cereal corn because it is under one metre high, and can be planted and harvested using conventional farm machinery, thus eliminating the need for specialized corn equipment. Rapid development also makes cereal corn a cropping option outside the current corn production regions.
- **New Bean Cultivars** - One white bean and two pinto bean cultivars have been developed and registered. Each has high yield potential, varying maturity, and excellent disease resistance. There is an increasing domestic market for beans of this type, reflecting changing consumer food preferences.

Innovation for livestock

Animal research is done in eight research centres across the country. Highlights of our achievements in this area include:

- **Hog Environmental Management Strategy (HEMS)** — This initiative is a partnership between the federal and provincial governments and the hog industry. The objective is to help the hog industry address environmental problems associated with its rapid expansion. In a comprehensive approach, each Business Line Partner had a distinct function in helping the hog industry address this issue. With funding assistance from CARD (Canadian Adaptation and Rural Development Fund), a new web site has been developed that will greatly help in the coordination of activities and communication.



The Hog Environmental Management Strategy (HEMS) successfully integrates environmental protection with sustainable development for the hog industry. The initiative includes research on such areas as odor abatement and air and water pollution from hog farming, and the development of a Geographic Information System, which will be used to provide information to protect the environment when selecting an animal shelter or manure disposal site.

- **Enzymes Reduce Phosphorus in Manure** — Phosphorus excretion by poultry, which is implicated in eutrophic algal growth in surface waters, is a serious concern for the sustainability of the industry. A new process resulted in a nearly 50% reduction of phosphorous excretions.
- **Ultrasound used in Meat Grading** — Live animal assessment of quality and yield grade is of immediate value to the production and processing sectors by enabling the segregation of animals prior to slaughter. A Windows-based Computer Vision System using ultrasound technology has been developed that captures cross-sectional images of live cattle. These images are used to predict back fat thickness, and rib-eye marbling.
- **Pampered Cows are More Productive** -Research Branch scientists have shown that handling induced stress problems, and reduced growth and productivity in dairy cows. Stress during milking can reduce milk output by 5 to 10%, up to 570 kg per cow per year.

Innovation with value-added products

Food research is carried out across the country. An indication of the priority of food research is the new food research program that has been established in Guelph, Ontario. Some achievements in this key area include:

- **Lactic Fermentation of Vegetables** - An award-winning project undertaken jointly with Caldwell Bio Fermentation Canada Inc. has allowed development of a process to improve the preservation of fermented vegetables that are marketed without pasteurization or preservatives. The resulting food products are unique in the world.
- **Partners in Food Research** - The new Food Research Program is now co-located with the Ontario Ministry of Agriculture and Food, the University of Guelph, and the Guelph Group for Research and Food Safety. This new facility is a visible reminder of our work in partnership with the provinces, universities, and the private sector.
- **Improved Blueberry Shelf Life** - Blueberry harvest in the northern hemisphere lasts from August until mid-October. Production from the southern hemisphere does not begin until late December. An improved storage technique, developed jointly with a producer, will allow Canadian producers to take advantage of this global window of opportunity by extending the fresh product marketing season.

Innovation with partnerships

- **Continuing success under the Matching Investment Initiative (MII)** - This very successful program, in which private and public resources are matched one-for-one, continues to attract private-sector partners to collaborative research projects with commercial applications. An impressive 954 MII agreements were signed in 1998-99, amounting to an investment of \$64.3 million shared by AAFC, CFIA and the private sector.



Here's what industry had to say about the Matching Investment Initiative at a recent Canadian Agri-Food Research Council (CARC) meeting:

*"To get research and development commercialized, the two most useful forces in Canada are: *Research: MII*, run by AAFC to bring industry and researchers together at the research phase, and *Development: IRAP*, run by the National Research Council to bring industry and researchers together at the development or scale-up phase."*

Don Murray, Former Chair, Canadian Agricultural New Uses Council

"IRAP and MII are models of how to create companies based on R&D. Industry participation in both these programs brings a market-focus to derive wealth from R&D."

Murray McLaughlin, Manager of a Venture Capital Fund for the Royal Bank



SUSTAINABLE RESOURCE USE

AAFC has shown continuing commitment towards an expanded approach to increasing the productive capacity of agricultural lands while ensuring that the agriculture sector growth does not negatively impact the environment. AAFC's 1998-99 accomplishments for supporting the sector in adopting environmentally sustainable practices and technologies include assessing and managing land and water capabilities for continuing sustainable use and developing and transferring new information about environmentally sustainable practices and technologies to rural people. Further strides were also made in 1998-99 towards increasing AAFC's contribution in understanding and managing the agriculture and agri-food sector's international environmental commitments.



The Agriculture and Agri-Food Climate Change Table is one of 16 multistakeholder groups charged with developing packages of options for meeting the Kyoto Protocol target. The table has conducted significant analysis on the health, economic and social implications of implementing and encouraging various practices for reducing greenhouse gas emissions. Because the national models established to develop cost curves and competitiveness analysis are not suitable for the biological processes in the agriculture sector, it has been necessary to develop and run special economic models for actions and measures related to the work of agriculture and agri-food sector.

Managing Marginal Lands

- **Community Pastures** — There are 87 Prairie Farm Rehabilitation Administration (PFRA) community pastures across the Prairies. This much-appreciated public service not only provides grazing and cattle breeding services to its 3,700 patrons, but at the same time protects 929,000 hectares of erosion-prone land from cultivation. A total of 117,000 cattle on PFRA pastures in 1998-99 accounted for approximately \$32 million direct and \$97 million of indirect economic benefits for pastures patrons and nearby communities. From an environmental standpoint, both carbon sequestration and soil protection add further economic value resulting from these PFRA managed lands. Also, during this year, specific guidelines for reclamation procedures of oil and gas well sites and pipelines have been developed to ensure that the forage resource in the community pasture system is protected and available for long-term grazing use.
- **Integrating Wildlife Habitat with Cattle Grazing** — PFRA and the Department of National Defence (DND) have been working together at the Suffield base in Alberta by utilizing a portion of the area for grazing and breeding local area cattle. This should ensure that the Base's grazing capacity and wildlife habitat quality will remain sustainable into the future.

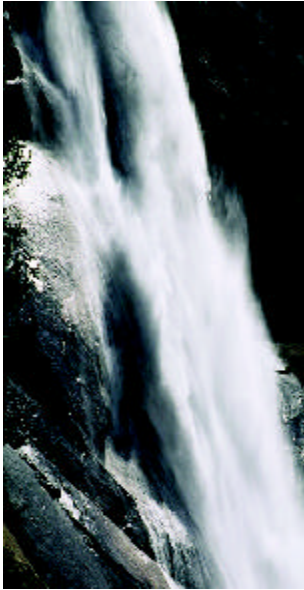
Enhancing Rural Water Capabilities

The Rural Water Development Program (RWDP) in 1998-99 provided technical information and \$5.6 million to rural residents to plan and develop reliable water supplies that support economic and/or environmental sustainability. Examples of this and other water quality research and technologies include:

- **Rural Water Development Program** - Approximately 4,000 rural residents, 1,400 farm operations and 20 businesses directly benefitted from the financial and technical assistance provided by the Program.
- **Water Quality Fact Sheets** - Developed in the fall of 1998, the 8 sheets are now available at all PFRA district offices.
- **Dugouts** - After the devastation of the 1997 Red River Flood, PFRA used a new coagulation treatment system to treat 120 dugouts on an emergency basis. This technology shows promise and will be refined in coming years.

Access to safe, reliable water as an engine for rural growth - The Yorkton Public Utilities Board rural water pipeline was developed under the RWDP in 1998-99. The 270 km long pipeline provides treated water to 93 farmsteads, 7 rural businesses, 25 acreages, 3 greenhouses and 4 processing plants.





- **Surface Water Contamination** - PFRA is collaborating on a three-year study to determine the prevalence of *Cryptosporidium* and *Giardia* in the North Saskatchewan River basin. These are very small parasites that can infect and reproduce in the digestive tract of animals, including humans. As a result of this research, recommendations can be made to our clients to reduce parasite levels in surface waters.
- **Well Water Treatment** - Field test results of a new technology aimed at extending the life of water wells by counteracting the plugging effect of groundwater bacteria were promising and may be useful for treating biofouled wells.
- **Groundwater treatment** - Groundwater quality in Lawrence, Manitoba, has been a problem for years. Hauling water has come to be an accepted part of life for these residents as a rural water pipeline is not feasible due to sparse population and geological conditions. The project is designed to determine the extent and the severity of the problem, and to explore economical in-house or group water treatment options like the “ProtechT” Water Treatment Unit.

Building our Knowledge Base

- **Wind Erosion** - AAFC was committed in 1998-99 to continue to improve the awareness, knowledge and, ultimately the adoption by rural people of integrated economic and environmental management practices. For example, PFRA has been monitoring crop residue levels and seeding systems in Saskatchewan for a number of years as a means of estimating how well soils are protected against wind erosion. Results indicated that there is room for improvement and an awareness campaign using media releases was carried out.
- **Irrigation Techniques that are Environmentally Sound** - In 1998-99, PFRA actively pursued development and demonstration of low elevation spray applications, drip irrigation technology and optimum irrigation scheduling.
- **Community Forests** are a new type of tree planting project for improving the quality of life in prairie towns and villages while providing habitat for wildlife. In 1998-99 PFRA assisted with planning the planting design of community forests in Mortlach, Vegreville, and Coronach.
- **Riparian Areas** are lands adjacent to creeks, rivers and wetlands where the vegetative growth is strongly influenced by the presence of water. These areas are highly productive, often producing two to three times the forage of adjacent upland areas, but are often over utilized and exposed to water erosion. Demonstrations of planned grazing practices and enhancement techniques within five riparian habitats in Saskatchewan were undertaken to raise understanding among livestock producers about how to more sustainably manage these key grazing lands.
- **Shelterbelts** - Over its six decade history, PFRA has supplied a half billion trees and shrubs to Prairie producers. Shelterbelts not only conserve soil from erosion, they also sequester carbon, thereby helping to reduce greenhouse gases. From tree/shrub seedlings distributed in 1998 by the Indian Head Shelterbelt Centre, it is estimated that there is a carbon sequestration potential of 401,000 tonnes of carbon by 2048 (50-year period). Using an assumption of \$10 per tonne of carbon, the carbon sequestration value in constant dollars is \$4.0 million. The accumulative affect of carbon sequestration by the shelterbelt program from 1990-1998 is estimated to be 5.3 million tonnes at a value in constant dollars of \$53.4 million.



Streambank Enhancement Protects Canora Drinking Water - Under the leadership of PFRA, over ten provincial departments and local agencies in East Central Saskatchewan are partnering to encourage agricultural producers to voluntarily undertake streambank enhancement activities. The project area encompasses approximately 88 kilometres of stream bank within the Whitesand River basin. Soil in the area is predominantly coarse and textured and precipitation is abundant. The land is used primarily for grazing livestock or growing forages. The Town of Canora's (pop. 2,500) municipal water supply is drawn directly from the Whitesand River, and water quality concerns have been raised in the past.

INTEGRATED POLICIES AND DECISION-MAKING

An Environmentally Sound Agri-Food Policy Framework

In an effort to ensure full implementation of our strategy and to ensure accurate and regular reporting and monitoring, AAFC's Sustainable Development Strategy (SDS) commitments were rolled into our departmental business lines and work planning process, thereby clearly articulating areas of responsibility and raising the strategy's profile within the Department.

- **Sustainable Development Strategy (SDS)** - This fiscal year marked the first full year of the implementation of the Department's 3-year action plan. All of our numerous SDS commitments are either presently underway or complete. More details are available on our Web site (www.agr.ca/envire.html).
- **Climate Change** - The department made progress in developing a national strategy for policy, program, research and technology transfer for the agri-food sector to contribute to Canada's commitments under the Kyoto Protocol.
- **Biodiversity** - The department is committed to implementing its 3-year action plan on Biodiversity. This action plan, like the SDS action plan, is intended to help decision makers in the Department and the sector to integrate biodiversity considerations into their day-to-day management.
- **Ozone Depletion** - All signatory countries of the Montreal Protocol, which includes Canada, have committed to 100% phase-out of methyl-bromide, an agricultural fumigant used throughout the world, by the year 2005. A 25% reduction is required by the year 1999. To date, Canada has reduced its use of methyl bromide by approximately 38% of 1991 levels - well ahead of schedule!
- **Environmental Assessments of Programs and Projects** - During this fiscal year, AAFC conducted 185 environmental assessment screenings on projects triggered by the Canadian Environmental Assessment Act (CEAA), thereby ensuring that environmental issues were addressed early on in project planning stages.
- **Departmental Guide** - Departmental workshops were held to develop a guide to the environmental analysis of agricultural policies and programs and a report has been published.
- **International Environmental Initiatives** - AAFC participates in a number of international working groups where trade, environment, and policy initiatives may affect Canadian agriculture. This helps identify linkages between agricultural trade, policy and the environment as well as linkages between trade liberalization and agricultural policy reform.



STRONG FOUNDATION FOR THE SECTOR AND RURAL COMMUNITIES

Operating Environment

Strong foundations getting stronger

In 1998-99, through cooperative management and inter-branch teamwork the Strong Foundation for the Sector and Rural Communities business line made considerable strides in meeting the dual challenges of growth and stability for the sector. We plan to make even more in the year ahead. A key challenge for the business line during the 1998-99 reporting period was working with industry, portfolio and government stakeholders to ensure an acceptable level of stability in the sector while facilitating the changes required for success in an increasingly global environment.

The farm income crisis, caused by the unsettled situation in the global economy combined with cyclical downturns in prices of some commodities and natural disasters, added to the challenge, but the government's response to assist producers experiencing significant declines in farm income has helped farmers stay in business.

After consultations with national and regional sector representatives and rural groups, we reaffirmed the need for the continuation of the Canadian Adaptation and Rural Development (CARD) Fund to help industry adapt to changing markets and opportunities. On March 29, 1999, Minister Vanclief announced the federal government's commitment to the CARD fund and provided a framework for the continued building of the program.

The implementation of the Rural Dialogue led to the priorities of rural Canadians being identified and validated. As a result of this process, Cabinet approved guiding principles that will direct federal action over the long-term. Most new federal initiatives, which impact rural areas, are now scrutinized from a rural perspective and incorporate rural considerations. In the Prairies, we provided extensive support to rural communities through programs that invest in infrastructure, support rural economic development and provide technical expertise.

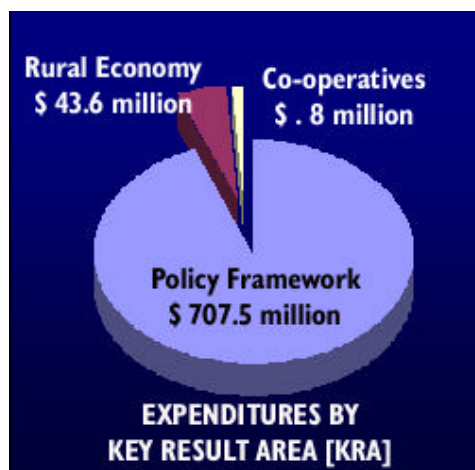
KEY RESULTS

- 1. Income Stabilization:** Our ability to profit in the global marketplace rests on a solid foundation at home. Our safety net system provides tools to help producers manage risk. By the end of the 1998-99 fiscal year, \$8.8 billion in potential assistance was available to meet the immediate short-term effects of extreme climate and tumultuous market conditions. NISA (Net Income Stabilization Account) fund balances of over \$2.7 billion, Crop Insurance (CI) coverage of \$5.5 billion and Agricultural Income Disaster Assistance (AIDA) funding of \$600 million worked together to help the sector respond to adversity while building a strong, sustainable sector.
- 2. Adaptation and Change:** Initiatives under the \$60 million per year Canadian Adaptation and Rural Development (CARD) Fund provided transitional measures to strengthen business and environmental management skills and practices, and increased opportunities for diversification and development of value-added products in the agriculture and agri-food sector. From 1995-96 to 1997-98, \$87.8 million in CARD spending leveraged about \$84.9 million in industry and provincial cash and in-kind expenditures. In 1998-99, CARD spending of \$78.4 million is forecast to leverage approximately \$75 million in industry and provincial contributions to adaptation. On March 29, 1999, after extensive consultations with national and regional sector representatives and rural groups, CARD was renewed as a continuing program.
- 3. Cross-Sectoral Policy Integration:** Initiatives related to economic research and regulatory policy provided information and insights on the implications for the agri-food sector of a wide range of federal government policies for use by policy-makers both within and outside the Department. As a result, policy decisions in such areas as pesticide regulation, employment and biotechnology included evaluations of potential impact on the agriculture and agri-food sector.
- 4. Rural Economy:** The renewed CARD Fund includes rural Canada as one of its priorities. Over 230 projects were funded by the Canada-Saskatchewan Agri-Food Innovation Fund. The Canada Agriculture Infrastructure Program (CAIP) supported human resource development in agricultural industry in rural Manitoba. Federal, provincial and local governments cost shared \$84 million in water-related infrastructure upgrades and development in 20 rural Manitoba communities.
- 5. Co-operatives:** The regulations for the new *Canada Cooperative Act* were completed during 1998-99. The cooperative sector has asked that the Act come into force on December 31, 1999, in order to allow co-operatives who need additional time to adapt to the new Act to do so.

FOR MORE DETAILED INFORMATION, CHECK THE INTERNET AT: <http://www.agr.ca/rpp/dpre.html>

RURAL PARTNERSHIPS

As the federal department responsible for coordinating rural affairs, we are leading, through the Rural Secretariat, the government-wide Canadian Rural Partnership (CRP) initiative. The CRP is the Government of Canada's commitment to increase opportunities for rural Canadians and to adapt its policies and programs to reflect rural realities. The federal Interdepartmental Working Group (IWG), complemented by a network of Rural Teams, has been established as part of CRP to respond to the needs of rural Canadians as expressed through the *Rural Dialogue*, by adopting a horizontal approach, based on active, coordinated participation by departments/agencies.



YEAR IN REVIEW — Business Line Performance

Policy Framework — Income Stabilization and Risk Management

Safety Nets Continued to Evolve

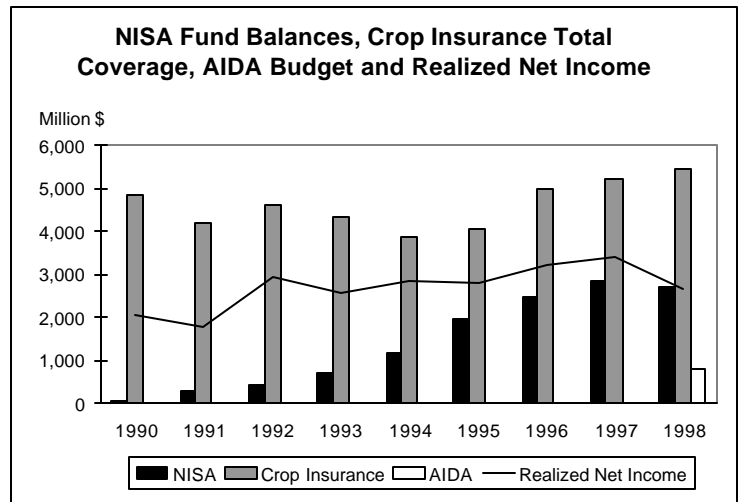
- Designed and implemented a two-year addition to the safety net system: the Agricultural Income Disaster Assistance (AIDA) Program. As the need became clear for supplemental assistance towards the end of 1998, provinces and industry were consulted and the new program was designed expeditiously. By early summer, producers received their first cheques.
- The AIDA program is providing substantial income protection, consistent with Canada's trade obligations, for those producers most affected by declining commodity prices and incomes.
- At the same time, the safety net package showed flexibility by the introduction of new companion programs in some provinces.
- As current arrangements come to an end, governments and industry have been reviewing safety nets to make decisions for the next five-year period. The National Safety Nets Advisory Committee (NSNAC) has provided a forum for producers to express their needs and opinions on what farm safety nets should accomplish.
- Federal and provincial Ministers have reached agreement on a set of objectives and principles for the next five-year period. Funding and programming decisions will be made in time for the 2000-2001 year.

Producers Concerns Addressed

- Enhanced the NISA program through the introduction of an interim withdrawal feature, which allows producers more freedom in managing their own income needs.
- Continued to work in partnership with Revenue Canada to reduce the paperwork burden on producers.

Crop Insurance Participation Grows

- Record high participation occurred in 1998-99.
- More than \$1.2 billion in reserves available to meet the income security needs of farmers.
- Private reinsurance arrangements reduced three provincial governments' exposure to major loss.



Agricultural Income Disaster Assistance Program (AIDA)

AIDA was introduced in 1998 to address the extreme farm income difficulties experienced in 1998. The program assisted producers most in need. A joint federal and provincial program — in which all provinces are participating — AIDA will provide \$1.5 billion (60% federal, 40% provincial) over two years as income difficulties are expected to continue into 1999. Up to \$900 million of federal funding has been allocated over two years to AIDA (with \$600 million in 1998-1999 and \$300 million in 1999-2000).

Policy Framework - Adaptation and Change

Adaptation initiatives help the Canadian agri-food sector adapt to an evolving business climate, domestically and internationally, by providing transitional measures to strengthen business and environment management skills and practices and respond cooperatively to opportunities for diversification and value-added. The CARD fund, which is based on an innovative partnership with industry, has allocated and administered funds in the areas of human resources development, R & D, marketing, enhanced access to capital, and the environment. In the 1998-1999 reporting period, approximately 3,000 projects reaching participants across the agri-food sector have contributed to the evolution of the industry. Some examples are:

- **Business Planning for Agri-Ventures**, which ended in March 1999, offered farmers and their business partners the planning expertise they needed for optimal success in agricultural ventures. A total of 676 clients were helped representing \$3.43 million of BPAV assistance. These clients have the following plans for rural Canada: invest \$1.3 billion of capital or about \$384,500 per \$1000 of BPAV assistance; generate \$1.3 billion of gross income or about \$519,600 per \$1000 of BPAV assistance; create slightly over 7,000 person years of employment or about 2 person years per \$1000 of BPAV assistance.
- **Farm Business Management Program** has undertaken an evaluation survey of the FBMI-net and found that 224 out of 405 respondents use the system as an awareness tool in seeking specific farm business information to help manage their farms. Over one-third of the respondents have changed their behaviour through using the system with better decision making, time saved and increased farm/business profitability identified as impacts of FBMI-net usage.



Agriculture and Agri-Food Canada in conjunction with the Canadian Farm Business Management Council has developed a new course on risk management for both the classroom and for home study. The new course, entitled *Managing Market Risk*, is designed to introduce the concept of market price risk and some of the ways to manage risk.

- *The Canadian Seed Institute* was granted \$640,000 to assist the seed industry to develop and implement an accredited quality system over a two-year period. The accreditation system is applicable to over 1,500 seed establishments and it is expected that they will benefit from lower renewal fees and reduced government intervention by January 2000.
- *The Canadian Agriculture Safety Program's* (CASP) primary objective is to decrease the level of farm injuries and fatalities across Canada. One of the principal projects has been the Canadian Agricultural Injury Surveillance Program (CAISP) and statistics will begin to reveal in the next few years the impact of CASP on changing safety behaviour on the farm. Statistics to-date have revealed that from 1991 to 1996, there were 818 farm fatalities - an average of 116 per year. Last year a report was issued containing basic counts of farm injury hospitalization for nine of the ten provinces - a total of 12,088 hospitalizations were identified.
- *The National Hazard Analysis and Critical Control Point* (HACCP) Adaptation Contribution Program was an \$11 million dollar program with eligible small and medium sized federally registered processors in Canada receiving approximately \$15,000. It provided funding to partially cover the cost of developing and implementing HACCP-based systems. 1,750 establishments were eligible and over 50% of those have incorporated HACCP principles, with the highest response from the poultry and meat sectors.
- The development and implementation of a performance management framework for all the adaptation councils and national programs has provided the tools for monitoring performance and ensuring public accountability and due diligence for program funding.

The Office of the Auditor General selected the CARD performance management framework as a model of the New Governance Arrangements (NGAs) for other departments using similar third-party delivery mechanisms. CARD has entered into NGA partnerships with industry-led groups across the country for the mutual benefit of the agriculture and agri-food sector. In addition, CARD partners with other AAFC Branches for the delivery of programs.



Marketing and Regulatory Policy

AAFC continued to work in partnership with other organizations to build a legislative, regulatory and policy framework that fosters the fair, efficient and competitive operation of the supply chain, particularly in the area of grains and the supply-managed commodities:

- Worked with the Canadian Dairy Commission and the National Farm Products Council to enhance the performance of the supply-managed agricultural sectors. Results achieved included an expanded scope for national supply management for eggs by inclusion of the Northwest Territories in the scheme and continuing growth in the use of dairy ingredients by the food industry.
- Contributed to Justice Willard Estey's review of the grain handling and transportation system in western Canada and developed an action plan to ensure stakeholder participation in determining future roles and responsibilities in the Canadian grain industry.
- Implemented amendments to the Canadian Wheat Board Act, designed to enhance the competitiveness and responsiveness of the system by ensuring majority producer representation on the Canadian Wheat Board's (CWB) Board of Directors and permitting the use of additional marketing tools and increased flexibility in pool accounts.
- Currently developing regulations to increase the flexibility of the system by permitting the CWB contingency fund to allow for different payment options.



In partnership with Human Resources Development Canada, AAFC developed an information pamphlet on Employment Insurance aimed at applicants who report income from self-employment. The pamphlet will be particularly useful to farm families. This work on Employment Insurance has drawn praise from several major farm organizations.

Cross Sectoral Policy Integration

Citizen engagement and strong partnerships with the agri-food sector, other levels of government and other federal government departments are key elements in the development of a national policy framework which enables the agriculture and agri-food sector to respond to emerging opportunities in the international and domestic market and adapt to a changing economy. In 1998/99, we:

- Engaged in a program of economic research and regulatory policy activities to enable decision makers inside and outside the Department to better understand the impacts/relevance of cross-sectoral policies, programs and regulations on the agri-food sector and to improve industry and government coordination of cross-sectoral policies, programs and regulations. Research work included studies on agri-food chain employment, income inequality, employment insurance and foreign direct investment.
- Undertook research work to better understand the barriers to Aboriginal agricultural development and worked to raise awareness among departmental officials so that new programs and services can be developed with an increased sensitivity to the needs of Aboriginal people. Some of the highlights included sponsorship and participation in Aboriginal initiatives to stimulate interest and encourage youth employment in the agriculture and agri-food sector, such as the Aboriginal Agriculture Conference, Aboriginal youth career fairs, and the National Aboriginal Achievement Awards and working with other government departments and First Nations to support Aboriginal peoples' inherent right to self-government.
- Participated in the government-wide Policy Research Initiative to ensure that issues of interest to the agriculture and agri-food sector and to rural Canada were taken into account in policy research on a variety of issues facing Canadians, such as trade and international investment, human resources development, and the knowledge-based economy and society.

Rural and Co-operatives are two areas in which the department plays a coordinating role across government departments. In each, it has dual responsibilities: achieving results within the mandate of AAFC and coordinating horizontal initiatives across government.

Co-operatives

- The Canada Co-operatives Act, proclaimed on June 17, 1999 to come into force December 17, 1999, will give co-operatives access to the administrative and financial tools to grow their business in a competitive marketplace. The new Act has already been used as a model for the rewriting and updating of several provincial Acts.
- Worked in partnership with provinces, territories and the co-operative sector to enhance the contribution of co-operatives in addressing economic and social challenges faced by all Canadians.
- Promoted awareness of the co-operative business form and its strengths and ensured that the federal policy and regulatory framework provided a supportive environment that fosters co-operatives.
- Business plan presentations from key departments and agencies have been presented to the Interdepartmental Committee on Co-operatives (IDC). This allowed members of the IDC to specify particular areas where the co-operative model can assist government in the attainment of key objectives.

Rural Economy

The Minister's role as Minister Coordinating Rural Affairs has two major parts: advocacy for Canadians living in rural areas; and coordination of activities carried out by individual federal departments and agencies on behalf of rural Canada. In achieving the first part of this mandate, AAFC focussed on the following areas (for more detailed information on the cross-government role, see Canadian Rural Partnership on page 28):

- Provided federal leadership, analysis and advice on issues affecting rural Canada.
- Promoted dialogue between rural stakeholders and the federal government.

Cooperative businesses in Canada and around the world thrive in good times and in bad. . .



The *Canadian International Development Agency (CIDA)* in its presentation on business planning reported that an assessment of cooperatives through the Asian region showed that co-operative business had been less impacted by the Asian Crisis than were other types of businesses.

- Initiatives funded by the Canadian Rural Development and Adaptation (CARD) are highly supportive of development in agricultural rural communities. The Rural Partnerships Initiative (RPI) provided support to partnership development activities, research and other activities designed to strengthen agricultural rural communities, while Business Planning for Agri-Ventures (BPAV) support was directed towards the development of agricultural, value-added businesses located in rural areas and Canadian Agricultural Safety Program (CASP) activities enhanced farm and rural community safety.
- Some of the initiatives supported by the CARD funded Agricultural Adaptation Councils directly influence the sustainability of agricultural rural communities. For example, the Ontario Adaptation Council provided support to a project which utilized innovative technology to develop and market fully cooked duck entrees to upscale international customers. This project, which employed 12 new workers and increased local feed requirements by 4,000 tons, is expected to increase value-added exports by 20%. The council also provided support to WRED (Women and Rural Economic Development) to implement a new integrated program of business support assistance to farm women seeking ways to generate additional income which will enable their small- to medium-sized farms to be sustainable.
- In Atlantic Canada, mink producers have established a research chair at the Nova Scotia Agricultural College to study various aspects of Canadian production (the only research program in Canada dedicated to the improvement of fur quality and production techniques). Milk producers in the Atlantic provinces in cooperation with the Atlantic Veterinary College and provincial specialists have conducted herd disease exposure analyses, which have evaluated testing techniques and prepared health status data for potential export animals. A prototype mechanical flame weeder using propane gas has been tested as an alternative to herbicide use in orchards, and the technology has the potential to provide significant savings in production costs and may have application in other cropping systems.
- Assisted economic growth and stability for rural businesses and communities in the Prairies through programs such as: the Canada-Saskatchewan Partnership Agreement on Rural Development (PARD); Partnership Agreement on Water Based Economic Development (PAWBED); Partnership Agreement on Municipal Water Infrastructure; and the Canada Agri-Infrastructure Program (CAIP) in Manitoba, Saskatchewan and Alberta.
 - PARD terminated in 1998-99 with the completion of the final evaluation of the program. From 1995-96 to 1998-99, PARD provided about \$6.0 million to over 500 Saskatchewan businesses and organizations. During the evaluation process, participants identified increased sales volumes of \$130 million resulting from assessing new markets in Canada and the United States, the creation of over 800 jobs and an overall increase in the knowledge of economic development within the rural community as some of the direct impacts of PARD.
 - In Saskatchewan, PAWBED supported 279 water-related projects in the primary and food processing sector. Total investment generated was \$85.6 million, of which the program contributed \$22.6 million. The final evaluation of the program's impact on the sector is slated to be completed in 1999.
 - The Partnership Agreement on Municipal Water Infrastructure Program terminated in 1998/99. From 1991-92 to 1998-99, the federal, provincial and local governments cost-shared about \$84 million in water related infrastructure upgrades and development within 20 rural Manitoba communities.
 - In 1998-99 CAIP provided over \$38 million for infrastructure development in Manitoba, Saskatchewan, Alberta and the Peace River region of British Columbia to help the rural sector adjust to the elimination of the Western Grain Transportation Act subsidy. The program focussed on areas such as research and development, value-added infrastructure, water development, human resource development and road construction.

The Saskatchewan Irrigation Development Centre (SIDC), in collaboration with the University of Saskatchewan and other industry groups, is conducting research that indicates Saskatchewan seed potatoes produce



more vigorous plants and seeds than those originating in relatively warmer climates. Since identifying this Northern Vigour™ in potatoes grown in Saskatchewan, the province has become an important seed potato source for both domestic and export markets. Between 1992 and 1995, the seed potato acreage increased from 478 to 2,516 acres and seed exports increased 68-fold. The return to producers increased from \$50,000 to \$2.14 million during this period.



CANADIAN RURAL PARTNERSHIP

Operating Environment

The Minister of Agriculture and Agri-Food is also the Minister Coordinating Rural Affairs. As such, he leads the government-wide Canadian Rural Partnership (CRP) initiative in addition to his advocacy for Canadians living in rural areas under AAFC's mandate as a department. On August 4, 1999, Andrew Mitchell was made Secretary of State for Rural Development, further reflecting the government's commitment to rural Canadians.

The CRP is the Government of Canada's commitment to increase opportunities for rural Canadians and to adapt its programs to reflect rural realities. The success of this initiative is dependent on the Government's ability to work across departments to listen and respond to rural Canadians' needs and concerns, to apply a *rural lens* to federal policies, programs and services to ensure their impact on rural communities is taken into consideration, and to provide rural Canadians fuller access to federal programs, services and information, thereby paving the way for rural Canadians to take advantage of opportunities and fostering stronger rural communities.

The cornerstone of this rural initiative has been the development and implementation of a Federal Framework for Action in Rural Canada, which promotes and recognizes the value of rural Canada.

Results in 1998-99

The Canadian Rural Partnership made significant progress in meeting its objectives. Among the key accomplishments are:

- an increase to 26 federal departments and agencies participating in the federal Interdepartmental Working Group (IWG), which was established as part of the Canadian Rural Partnership to provide the mechanism for the active, coordinated participation by federal partners in responding to the needs of rural Canadians;
- the establishment of Rural Teams in ten provinces and two territories and on-going discussion with Nunavut;
- the participation of almost 7,000 rural Canadians in the Rural Dialogue in 1998, which involved completing over 1,400 Rural Dialogue workbooks and participation in 33 regional workshops, all of which culminated in the National Rural Workshop, held in October 1998;
- the approval by Cabinet of the outcomes of the Rural Dialogue, which identified and validated the priorities of rural Canadians, and formulated guiding principles that direct federal action over the long-term; and
- the application of the *rural lens*, that is, the incorporation of rural considerations in the development of most new federal initiatives that impact on rural areas.

Some of the key success stories over the past year include:

- the establishment of an Executive Director of Rural Health at Health Canada to ensure that the *rural lens* is applied to departmental policies, programs and services;
- the 1999 Federal Budget included \$50 million over three years for innovations for rural and community health. A key focus will be supporting the development of a strategy to improve access to a broader range of health services across the country;
- the Federal Youth Internship Program; and the publishing of a Rural and Small Town Canada Bulletin series and the creation of a Rural Data Advisory Line by Statistics Canada;
- the identification of rural Canada as one of the priority areas of the renewed CARD fund;
- the Human Resources Development Canada/Public Works and Government Services Canada Infocentre project, which includes 100 pilot “rural kiosks” as new delivery mechanisms to underserved rural areas;
- the large demand for the pocket version of “*Canada ..at Work in Rural Communities*,” a directory of more than 200 Government of Canada programs and services, designed for Canadians in rural and remote communities.

Considerable progress has also been made in increasing awareness of and access to federal government initiatives in rural areas:

- Rural Teams are firmly engaged in all ten provinces and two territories to respond to local issues;
- 68 projects have been implemented under the CRP Pilot Projects Initiative;
- the Rural Exhibit has travelled to some 100 rural fairs and exhibitions across Canada; and
- Industry Canada’s Community Access Program (CAP) sites continued to be put in place throughout rural and remote communities.

A review was conducted of the Canadian Rural Information Service (CRIS), which is a national clearinghouse providing information and referral services on rural issues for those working with and for rural communities, groups and individuals. The implementation of the findings from the review, which indicated that current clients are satisfied with the service, are expected to result in increased awareness of CRIS and subsequent usage by rural Canadians.



The 1999 Public Service Award of Excellence was awarded to the AAFC Rural Team for its leadership in improving teamwork among federal departments and agencies that serve rural Canadians. In response to the government’s commitment to stimulate the economic renewal of rural Canada, the team developed a strategy of building collaboration among federal organizations that serve rural residents, raising federal visibility and improving access to information about the government’s programs and services.



SOUND DEPARTMENTAL MANAGEMENT

Operating Environment

AAFC faced a number of management challenges in 1998-99. Among these was the continuous need to seek new and innovative ways of managing human and financial resources.

An ongoing issue facing AAFC has been the need to address the Year 2000 (Y2K) challenge. To meet this need, the Department has focussed on identifying and repairing critical systems and information infrastructure within the Department to ensure that operations are not adversely affected — a task which is well underway and expected to be completed in September 1999. Y2K also allowed the Department to take advantage of an opportunity to establish a new, integrated, Y2K-ready Finance and Materiel Management System (SATURN), rather than fixing the existing less efficient and less effective systems.

Another factor that is having an impact on the Department is the growing call from parliamentarians, clients and the general public for greater transparency and accountability in government operations, including growing demands that government be able to demonstrate value for money. This has led the Department to rethink how it sets priorities, measures performance and communicates these factors to the public.

YEAR IN REVIEW — Business Line Performance

Shared Departmental Direction

In 1998-99 Agriculture and Agri-Food Canada made significant progress in developing a shared understanding of departmental business, priorities and objectives. Key results in this area include:

- validation of its mission and values in order to have a positive impact on employee job satisfaction and continuously improve service to clients. In the coming years, we expect to develop and implement the tools necessary to measure progress in enhancing employee job satisfaction; and
- production and distribution of AAFC's Corporate Strategic Plan, entitled *Global Excellence: Keeping the Momentum*, to about 4,200 staff, clients and parliamentarians in order to reinforce their awareness of departmental objectives, priorities and plans.

KEY RESULTS

- 1. Workplace Diversity:** Developed and put in place an aggressive three-year employment equity strategy to develop a more sustainable, diverse and representative workforce.
- 2. Commitment to our People:** Following our staff survey in 1998, the Departmental Management Committee committed to improving our work environment in four key areas — training and development, communications with staff, management development, and issues facing term employees.
- 3. Year 2000 Readiness:** By March 31, 1999, remediation and testing of AAFC's facilities and infrastructure was progressing on schedule, with completion targeted for September 1999.
- 4. Improved Information Management:** Launched integrated Finance and Materiel Management System, SATURN; continued development of a user-friendly desktop Management Information System; completed a plan to migrate to PeopleSoft version 7.

FOR MORE DETAILED INFORMATION, CHECK THE INTERNET AT: <http://www.agr.ca/rpp/dpre.html>



Global Excellence has been praised by parliamentarians and was cited as a best practice at a Performance Measurement Symposium hosted by Treasury Board Secretariat.

A Motivated, Representative and Productive Organization

Significant progress has been made in meeting several of the elements of this commitment. Some of the key accomplishments are in the area of career and succession planning:

- developed succession plans for all EX positions;
- held 12 management development sessions in which 165 supervisors and managers participated;
- integrated AAFC's human resource strategy into the business line planning framework; and
- in support of its commitment to provide all employees with an opportunity to develop a career plan, 70 career planning workshops for employees (1,057 attended) and 5 workshops for managers as career coaches (73 participants) were held.

In order to work towards a workforce that is reflective of the Canadian population, AAFC has made gains in the area of diversity. The Department has:

- conducted an Employment Systems Review, which found that current systems are sufficient to allow diversity to flourish in AAFC, but that the Department had taken too passive an approach;
- established an aggressive 3-year Employment Equity Plan, including a communications campaign to inform staff; and
- conducted 13 sessions, attended by 178 managers and human resource professionals, on Leading a Diverse Workforce Program.



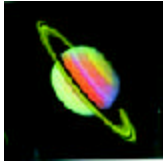
AAFC approved plans for an Employee Service Centre in the National Capital Region to be launched in early 1999 - 2000. This will provide a number of self-service options for employees, such as a benefit calculator, on-line leave balances, and self-service career tools, as well as one-stop service for pay documentation, parking applications, on-the-spot security passes, and orientation sessions.

Providing the Right Tools, Systems and Processes

AAFC has made progress in ensuring that managers and staff have the appropriate tools, systems and processes to be as effective and efficient as possible, particularly around enhancing the Department's corporate information systems and client-focussed information products and services.

In 1998/99, AAFC :

- launched its integrated Finance and Materiel Management System, SATURN, which has improved the efficiency and effectiveness of our financial and materiel systems, by amalgamating data from various legacy systems and facilitating the interface with outside systems; and
- continued development of a user-friendly desk-top Management Information System that will allow managers at all levels to track financial and non-financial performance and to make decisions based on timely and relevant information. Results will be measured using surveys to determine the level of use of the MIS by managers in making decisions.



The SATURN team trained several employees from the line branches who served as ambassadors throughout the Department and who were able to answer colleagues' questions. As well, staff in remote locations were trained using distance learning technology. A key contributor to SATURN's success was its "Ready to Implement Process", which succeeded in giving line branches ownership over getting ready to implement SATURN, in partnership with Corporate Services Branch. The process was invaluable and will be considered for other initiatives like the implementation of the Financial Information Strategy.

In addition to these management systems, the Department has also made improvements in the types of job-related information and services it offers to staff:

- the on-line capability for staff to check how much vacation, sick and other types of leave they have left; and
- employee access on the web to benefits chart, self-serve employment equity self-identification forms, and pay equity information;

In order to provide more efficient and effective service to internal and external clients, AAFC:

- created the Electronic Information Services Division to manage and coordinate the Department's Internet and Intranet sites;
- conducted a series of client focus groups in order to assess satisfaction with AAFC's website, ACEIS and Intranet site, AgriSource, and to determine what additional information products clients would find useful;
- developed the AAFC and CFIA Information Management Strategic Framework which provides a multi-year plan of IM investments in those areas where sharing information across branches within AAFC and between AAFC and CFIA is important at the corporate level; and
- improved the architecture of ACEIS and AgriSource, creating a more stable, reliable and capable environment upon which to serve our internal and external clients.

Finally, in order to ensure the continued integrity of all AAFC information systems, extensive work has been done to protect against the Year 2000 (Y2K) problem. As of March 31, 1999:

- the remediation and testing of AAFC's facilities and infrastructure was progressing on schedule, with completion targeted for September 1999;
- AAFC's Business Continuity Planning, Project Risk Assessment, and Critical System Certification were identified as best practices by Treasury Board Secretariat;
- contingency plans were developed for 56 mission-critical business functions; and
- transition plans were developed to monitor Year 2000 risks through 1999 and into 2000.

Y2K

The Y2K Project Team developed Y2K readiness definitions, standards and processes which formed the basis of a certification process for Y2K readiness. This was complemented by a formal, documented audit process to determine whether or not the Department's critical systems underwent a rigorous, systematic process for Year 2000 testing and conversion as stipulated in the "AAFC Year 2000 Guidelines." This was recognized by Treasury Board as a best practice and has allowed the Department to reach a higher standard of readiness than required by other departments.

Continuous Improvement

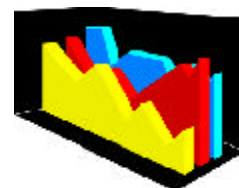
In its efforts to be a continuously improving organization, AAFC has made considerable progress in being able to monitor and enhance performance on an ongoing basis. The key accomplishments in this area include:

- AAFC's participation as a pilot department in the Government's Modernizing Comptrollership initiative and its focus on results-based management;
- a new team has been formed within AAFC to identify and operationalize appropriate business line performance measures in order to provide managers with timely information for decision making; and
- 26 departmental audits, evaluations and other reviews were conducted in order to identify opportunities for improving departmental programs, policies and systems leading to recommendations and improvements in departmental programs and services in each of the business lines.

In 1998, all departmental employees were surveyed regarding the work "climate" of the organization. In January 1999, the Departmental Management Committee reviewed the survey results and feedback received from various employee focus groups. Based on this, four key priorities were identified for creating a renewed workforce with highly-developed leadership competencies and enhanced teamwork, and for building a rewarding place to work based on values of integrity, excellence, and valuing people. The four priorities are:

- *Training and development:* Linking career plans, appraisals and training; ensure that 4% of the departmental salary budget is invested in training and development; and track progress.
- *Communications with staff:* Improving two-way communication between staff and supervisors through forums such as regional DMC meetings, and an annual middle manager's meeting in conjunction with the senior manager's meeting.
- *Management development:* Developing a framework for a common, values-based Leadership and Development Program for all supervisory staff, emphasizing communication, human resource skills and continuous learning.
- *Issues facing term employees:* Addressing, where possible, issues faced by term employees, in areas such as increased awareness of staffing processes, options, and benefits.

AAFC established a team to develop performance measures. The team comprised representatives from each business line who will work together to operationalize the departmental performance measurement system.



1998-1999 AAFC DEPARTMENTAL PERFORMANCE REPORT

FINANCIAL INFORMATION

Table 1. — Summary of 1997-1998 Authorities	35
Table 2. — Summary of 1997-1998 Authorities	36
Table 3. — Historical Comparison of Total Planned Spending to Actual Spending	37
Table 4. — Revenue Credited to the Vote by Business Line	37
Table 5. — Revenue Credited to the GGR by Business Line	37
Table 6. — Transfer Payments by Business Line	38
Table 7. — Capital Projects by Business Line	41
Table 8. — Canadian Grain Commission Revolving Fund	42
Table 9. — Canadian Pari-Mutuel Agency Revolving Fund	42

SUPPLEMENTARY INFORMATION

• AAFC Organization Chart	43
• Canadian Grain Commission	44
• National Farm Products Council	46
• Canadian Pari-Mutuel (CPMA)	47

CONSOLIDATED REPORTING

• Sustainable Development Strategy	48
------------------------------------	----

STATUTORY ANNUAL REPORTS

• Farm Income Protection Annual Report	53
• Farm Debt Review Act Annual Report	59
• Farm Improvement and Marketing Cooperatives Loans Act (FIMCLA) Annual Report	60
• Agricultural Marketing Programs Act (AMPA) Annual Report	61

FINANCIAL INFORMATION

NOTE: The figures in the following set of tables have been rounded to the nearest millions of dollars.
For this reason, figures which cannot be listed in millions of dollars are shown as 0.0.

FINANCIAL TABLE 1. SUMMARY OF 1998-1999 AUTHORITIES (\$ MILLIONS)

Vote Agriculture and Agri-Food Program		PLANNED SPENDING	TOTAL AUTHORITIES	ACTUAL
1	Operating Expenditures	361.3	431.5	411.2
5	Capital Expenditures	38.5	40.9	40.9
10	Grants and Contributions	275.9	299.8	285.5
11	To Forgive a Debt due Her Majesty in the Right of Canada in the amount of \$14,442,000 in respect of advances made to the Crop Reinsurance Fund pursuant to the <i>Farm Income Protection Act</i>	-	14.4	0.6
(S)	Grants to agencies established under the <i>Farm Products Agencies Act</i>	0.2	0.6	-
(S)	Payments in connection with the <i>Agricultural Marketing Programs Act</i>	65.5	45.2	45.2
(S)	Loan guarantees under the <i>Farm Improvement and Marketing Cooperatives Loans Act</i>	4.0	2.3	2.3
(S)	Payments in connection with the <i>Farm Income Protection Act - Transition Program for Red Meats</i>	3.2	3.2	3.2
(S)	Payments in connection with the <i>Farm Income Protection Act - Agri-Food Innovation Program</i>	30.1	14.0	14.0
(S)	Payments in connection with the <i>Farm Income Protection Act - Crop Insurance Program</i>	217.6	226.9	226.9
(S)	Payments in connection with the <i>Farm Income Protection Act - Canada/Nova Scotia Apple Industry Development Fund</i>	0.1	0.1	0.1
(S)	Payments in connection with the <i>Farm Income Protection Act - 1994 New Brunswick Debt Refinancing Program</i>	0.1	-	-
(S)	Payments in connection with the <i>Farm Income Protection Act - Net Income Stabilization Account</i>	254.6	245.4	245.4
(S)	Payments in connection with the <i>Farm Income Protection Act - Safety Net Companion Programs</i>	122.5	75.7	75.7
(S)	Payments in connection with the <i>Farm Income Protection Act - Crops Sector Companion Program</i>	0.0	(109.0)	(109.0)
(S)	Payments in connection with the <i>Farm Income Protection Act - Gross Revenue Insurance Program</i>	-	0.1	0.1
(S)	Minister of Agriculture and Agri-food - Salary and motor car allowance	0.0	0.0	0.0
(S)	Contributions to employee benefit plans	46.3	48.7	48.7
(S)	Spending of proceeds from the disposal of surplus Crown Assets	-	4.1	4.1
(S)	Collection Agency Fees	-	0.0	0.0
(S)	Court Awards	-	-	-
(S)	Canadian Grain Commission Revolving Fund	-	13.7	0.2
(S)	Canadian Pari-Mutuel Agency Revolving Fund	-	3.7	0.9
TOTAL DEPARTMENT		1,420.1	1,361.4	1,296.0

FINANCIAL TABLE 2. SUMMARY OF 1998-1999 AUTHORITIES (\$ MILLIONS)

BUSINESS LINE	FTE	OPERATING	CAPITAL	VOTE GRANTS & CONTRIBUTIONS	STATUTORY GRANTS & CONTRIBUTIONS	TOTAL GROSS EXPENDITURES	LESS REVENUE CREDITED TO THE VOTE	TOTAL NET EXPENDITURES
Expanding Markets	1,215	106.8		24.2	72.9	203.9	56.3	47.6
		<i>122.7</i>	<i>0.7</i>	<i>24.4</i>	<i>51.2</i>	<i>199.0</i>	<i>56.3</i>	<i>142.7</i>
		96.7	0.7	17.2	50.6	165.1	44.7	120.5
Innovating for a Sustainable Future	3,062	284.6	31.5	15.1	30.1	361.3	10.4	350.9
		<i>307.9</i>	<i>32.6</i>	<i>15.3</i>		<i>355.8</i>	<i>10.4</i>	<i>345.4</i>
		317.3	32.6	14.2		364.1	12.3	351.8
Strong Foundation for the Sector and Rural Communities	558	49.4	0.0	236.6	594.9	880.9	7.1	873.8
		<i>83.1</i>	<i>0.0</i>	<i>259.7</i>	<i>453.2</i>	<i>796.0</i>	<i>7.1</i>	<i>788.9</i>
		53.2	0.0	253.7	453.2	760.1	8.2	751.8
Sound Departmental Management	573	55.0	7.0	0.0	0.0	62.0	14.2	47.8
		<i>89.9</i>	<i>8.5</i>	<i>0.3</i>	<i>0.0</i>	<i>98.7</i>	<i>14.2</i>	<i>84.5</i>
		76.6	8.5	0.3	0.0	85.4	13.6	71.8
TOTALS	5,408	495.8	38.5	275.9	697.9	1,508.1	88.0	1,420.1
		<i>603.6</i>	<i>41.7</i>	<i>299.7</i>	<i>504.4</i>	<i>1,449.4</i>	<i>88.0</i>	<i>1,361.4</i>
		543.8	41.7	285.5	503.8	1,374.7	78.7	1,296.0

OTHER REVENUES AND EXPENDITURE

Revenue credited to the Consolidated Revenue Fund	130.5
	<i>130.5</i>
	136.2
Cost of services provided by other departments	34.0
	<i>31.5</i>
	31.9
NET COST OF THE PROGRAM	1,584.6
	<i>1,523.4</i>
	1,464.1

NOTE:

Figures for planned spending appear in the normal font.

Figures for total authorities are *italicized*.

Figures for actual spending are **bolded**.

FTE = Full-Time Equivalents.

Operating includes the statutory item contributions to employee benefits plans.

The Actual expenditures have been adjusted from what appears in the 1998-99 Public Accounts to reflect the proper accounting of expenditures between Business Lines.

FINANCIAL TABLE 3. HISTORICAL COMPARISON OF TOTAL PLANNED SPENDING TO ACTUAL SPENDING (\$ MILLIONS)

BUSINESS LINE	1996-97 Actual	Actual 1997-98	Planned 1998-99	TOTAL 1998-99	Actual 1998-99
Expanding Markets	200.0	109.8	147.6	142.7	114.2
Strong Foundation for the Sector and Rural Communities	424.0	352.4	350.9	345.4	336.9
Innovating for a Sustainable Future	1,875.9	1,097.6	73.8	788.9	766.8
Sound Departmental Management	78.4	66.5	47.8	84.5	78.1
TOTAL	2,578.3	1,626.4	1,420.1	1,361.5	1,296.0

1996-97 allocations by Business Line are for illustration purposes only.

FINANCIAL TABLE 4. REVENUE CREDITED TO THE VOTE BY BUSINESS LINE (\$ MILLIONS)

BUSINESS LINE	1996-97 Actual	1997-98 Actual	1998-99 Planned	Actual 1998-99
Expanding Markets	50.6	56.9	56.3	44.7
Strong Foundation for the Sector and Rural Communities	12.7	12.7	10.4	12.3
Innovating for a Sustainable Future	9.2	8.5	7.1	8.2
Sound Departmental Management	14.1	13.8	14.2	13.6
TOTAL REVENUES CREDITED TO THE VOTE	86.6	91.9	88.0	78.8

FINANCIAL TABLE 5. REVENUE CREDITED TO THE GGR BY BUSINESS LINE (\$ MILLIONS)

BUSINESS LINE	1995-96 Actual	1996-97 Actual	1997-98 Planned	1997-98 Actual
Expanding Markets	5.5	5.5	5.5	29.9
Strong Foundation for the Sector and Rural Communities	4.0	4.0	4.0	7.3
Innovating for a Sustainable Future	9.3	9.3	9.3	14.7
Sound Departmental Management	586.6	316.6	140.8	173.2
TOTAL	601.4	335.4	159.6	225.1

Note: GGR = General Government Revenues.
1995-96 and 1996-97 split by Business Line for illustration purposes only.

FINANCIAL TABLE 6. TRANSFER PAYMENTS BY BUSINESS LINE (\$ MILLIONS)

BUSINESS LINE

	PLANNED SPENDING 1998-99	TOTAL AUTHORITIES 1998-99	ACTUAL 1998-99
<i>GRANTS</i>			
Expanding Markets			
(S) Grants to agencies established under the <i>Farm Products Agencies Act</i>	0.2	0.6	0.0
	<u>0.2</u>	<u>0.6</u>	<u>0.0</u>
Innovating for a Sustainable Future			
Agricultural research in universities and other scientific organizations in Canada	1.0	1.0	0.8
Grants to organizations whose activities support soil and water conservation and development	0.0	0.0	0.0
Grants to organizations to facilitate adaptation and rural development within the agriculture and agri-food sector	3.5	3.5	3.5
	<u>4.5</u>	<u>4.5</u>	<u>4.3</u>
Strong Foundation for the Sector and Rural Communities			
Grants to organizations under the Safety Net Companion Programs	10.3	43.1	43.1
Grants to individuals and organizations in support of grain transportation reform	2.9	2.1	2.1
Grants to organizations to facilitate adaptation and rural development within the agriculture and agri-food sector	24.0	22.4	22.4
	<u>37.2</u>	<u>67.6</u>	<u>67.6</u>
Sound Departmental Management			
Grants to individuals in recognition of their activities in the national dissemination of federal agricultural information	0.0	0.0	0.0
	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
	<u>42.0</u>	<u>72.7</u>	<u>71.9</u>
TOTAL GRANTS	42.0	72.7	71.9

FINANCIAL TABLE 6. — CONTINUED TRANSFER PAYMENTS BY BUSINESS LINE (\$ MILLIONS)

	PLANNED SPENDING <u>1998-99</u>	TOTAL AUTHORITIES <u>1998-99</u>	ACTUAL <u>1998-99</u>
<i>CONTRIBUTIONS</i>			
Expanding Markets			
(S) Payments in connection with the <i>Agriculture Marketing Programs Act</i>	65.5	45.2	45.2
(S) Loan guarantees under the <i>Farm Improvement and Marketing Cooperatives Loans Act</i>	4.0	2.3	2.3
(S) Payments in connection with the <i>Farm Income Protection Act</i> — Transition Programs for Red Meats	3.2	3.2	3.2
Contributions under the Agri-Food Trade 2000 Program	13.2	12.7	11.0
Initiatives under the authority of the Economic and Regional Development Agreements	2.1	2.4	2.1
Contribution in respect of the Commodity-Based Loans Program	9.0	8.4	3.2
Contribution in respect of the Farm Debt Review process	-	0.0	0.0
Contribution under the tobacco diversification plan	-	0.9	0.9
Contributions under the Economic Recovery Assistance Program (1998 Ice Storm)	-	0.0	0.0
Contributions under the Agri-Food Assistance Program	-	0.1	0.1
	<hr/> 97.0	<hr/> 75.0	<hr/> 67.8
Innovating for a Sustainable Future			
(S) Payments in connection with the <i>Farm Income Protection Act</i> — Agri-Food Innovation Program	30.1	0.0	-
Contributions in support of organizations associated with agriculture research and development	0.7	0.7	0.7
Contribution to the Protein, Oil and Starch (POS) Pilot Plant Corporation	2.7	2.7	2.7
Contributions in support of the National Soil and Water Conservation Program	1.4	0.6	0.6
Contributions to bona fide farmers and ranchers, groups of farmers and small communities in Manitoba, Saskatchewan, Alberta and the Peace River District of British Columbia for the development of dependable water supplies	5.7	6.5	5.6
Contributions to facilitate adaptation and rural development with the agriculture and agri-food sector	-	0.2	0.2
Contributions under the Agri-Food Assistance Program	-	0.1	0.1
	<hr/> 40.6	<hr/> 10.8	<hr/> 9.9

FINANCIAL TABLE 6. — CONTINUED TRANSFER PAYMENTS BY BUSINESS LINE (\$ MILLIONS)

	PLANNED SPENDING 1998-99	TOTAL AUTHORITIES 1998-99	ACTUAL 1998-99
Strong Foundation for the Sector and Rural Communities			
(S) Payments in connection with the <i>Farm Income Protection Act</i> - Crop Insurance Program	217.6	226.9	226.9
(S) Payments in connection with the <i>Farm Income Protection Act</i> - Crops Sector Companion Program	-	(109.0)	(109.0)
(S) Payments in connection with the <i>Farm Income Protection Act</i> - Canada/Nova Scotia Apple Industry Development Fund	0.1	0.1	0.1
(S) Payments in connection with the <i>Farm Income Protection Act</i> - 1994 New Brunswick Debt Refinancing Program	0.1	0.0	0.0
(S) Payments in connection with the <i>Farm Income Protection Act</i> - Net Income Stabilization Account	254.6	245.4	245.4
(S) Payments in connection with the <i>Farm Income Protection Act</i> - Safety Net Companion Programs	122.5	75.7	75.7
(S) Payments in connection with the <i>Farm Income Protection Act</i> - Gross Revenue Insurance Program	-	0.1	0.1
(S) Payments in connection with the <i>Farm Income Protection Act</i> - Agri-Food Innovation Program	-	14.0	14.0
Contributions under the Economic Recovery Assistance Program (1998 Ice Storm)	-	4.7	4.7
Contributions under the Agriculture and Agri-Food Canada Scholarship Program	0.5	0.4	0.4
Payments for the benefit of producers for agricultural commodities by the Governor in Council pursuant to the <i>Farm Income Protection Act</i>	108.6	124.7	119.7
Contributions under the National Hazard Analysis and Critical Control Point Adaptation Program	6.3	4.9	4.9
Contributions under the Canadian Agri-Infrastructure Program	47.9	34.7	33.8
Contributions for the 4-H Program and the Canadian Agriculture Safety Program	1.5	1.5	1.5
Contributions under the Canadian Farm Business Management Program	11.6	12.7	12.7
Contributions under the Business Planning for Agri-Ventures Program	7.6	2.7	2.7
Contributions to facilitate adaptation and rural development with the agriculture and agri-food sector	15.3	3.3	3.3
Contributions under the Agri-Food Assistance Program	-	0.0	0.0
Contributions under the Agriculture and Agri-Food Pest Management Program	-	0.4	0.4
Contributions to organizations associated with agricultural research and development	-	0.1	0.1
Canada-Manitoba Partnership Agreement on Municipal Water Infrastructure for Rural Economic Diversification	-	0.3	0.3
Contributions under the Canada/Saskatchewan Partnership Agreement on water-based economic development	-	0.0	0.0
Contributions under the Canada/Saskatchewan Partnership Agreement on rural development	-	1.7	1.7
	794.3	645.4	639.3
Sound Departmental Management			
Contributions to the Canada Safety Council in support of National Farm Safety Week	0.0	0.0	0.0
Contributions under the Agri-Food Assistance Program	-	0.3	0.3
	0.0	0.3	0.3
TOTAL CONTRIBUTIONS	931.9	731.5	717.4
TOTAL TRANSFER PAYMENTS	973.8	804.2	789.3

FINANCIAL TABLE 7. CAPITAL PROJECTS BY BUSINESS LINE (\$ MILLIONS) *

BUSINESS LINE	Current Estimated Total Cost **	Actual 1996-97	Actual 1997-98	Planned Spending 1998-99	Actual 1998-99
Innovating for Sustainable Future					
Consolidation of Farm Operations, Charlottetown, PEI	8.4	0.0	0.1	0.0	0.1
Facility Retrofit, Fredericton, New Brunswick	17.0	0.0	0.1	1.0	0.7
Swine Research Facility, Lennoxville, Quebec	6.3	0.5	0.4	4.3	5.1
New Facility, Guelph, Ontario	10.0	0.0	0.5	4.8	3.5
Facility Upgrades, London and Delhi, Ontario	12.0	0.2	1.4	5.7	7.0
Facility Retrofit, Winnipeg, Manitoba	18.6	0.0	0.0	0.6	0.9
Facility Consolidation and Upgrade, Saskatoon, Saskatchewan	38.0	11.3	15.3	0.2	0.2
Retrofit existing facility and construct new multi-purpose research facility, Lethbridge, Alberta ***	34.6	0.1	0.1	1.1	1.4
Facility retrofit, Agassiz, British Columbia	18.0	0.0	0.7	1.0	0.8
TOTAL	162.9				

* All approved capital projects with an estimated value of over \$5 million are listed here.

** The Current Estimated Total Cost numbers include both expenditures made in previous years and expenditures forecast for beyond 1998-99.

*** Treasury Board approved an increase in the scope and cost of this project (from \$19.6 million to \$34.6 million) in March, 1999.

FINANCIAL TABLE 8. CANADIAN GRAIN COMMISSION REVOLVING FUND (\$ MILLIONS)

	<u>Actual 1996-97</u>	<u>Actual 1997-98</u>	<u>Planned Spending 1998-99</u>	<u>Total Authorities 1998-99</u>	<u>Actual 1998-99</u>
Revenues	49.3	57.3	56.3	56.3	42.5
Expenditures	50.9	55.8	56.3	56.3	53.6
Profit or (Loss)	(1.6)	1.5	0.0	0.0	(11.1)
Add items not requiring use of funds:					
Depreciation/amortization	1.4	1.7	2.5	2.5	1.5
Changes in working capital	2.1	0.8	0.0	0.0	6.9
Investing activities:					
Acquisition of depreciable assets	0.0	(1.9)	(2.5)	(2.5)	(0.7)
Cash surplus (requirement)	1.9	2.1	0.0	0.0	(3.4)
Authority balance	15.0	17.1	17.1	17.1	13.7

Notes: A "line of credit" of \$12 million was approved as the maximum amount that may be drawn from the CRF at any time.

The authority balance includes the \$12 million drawdown.

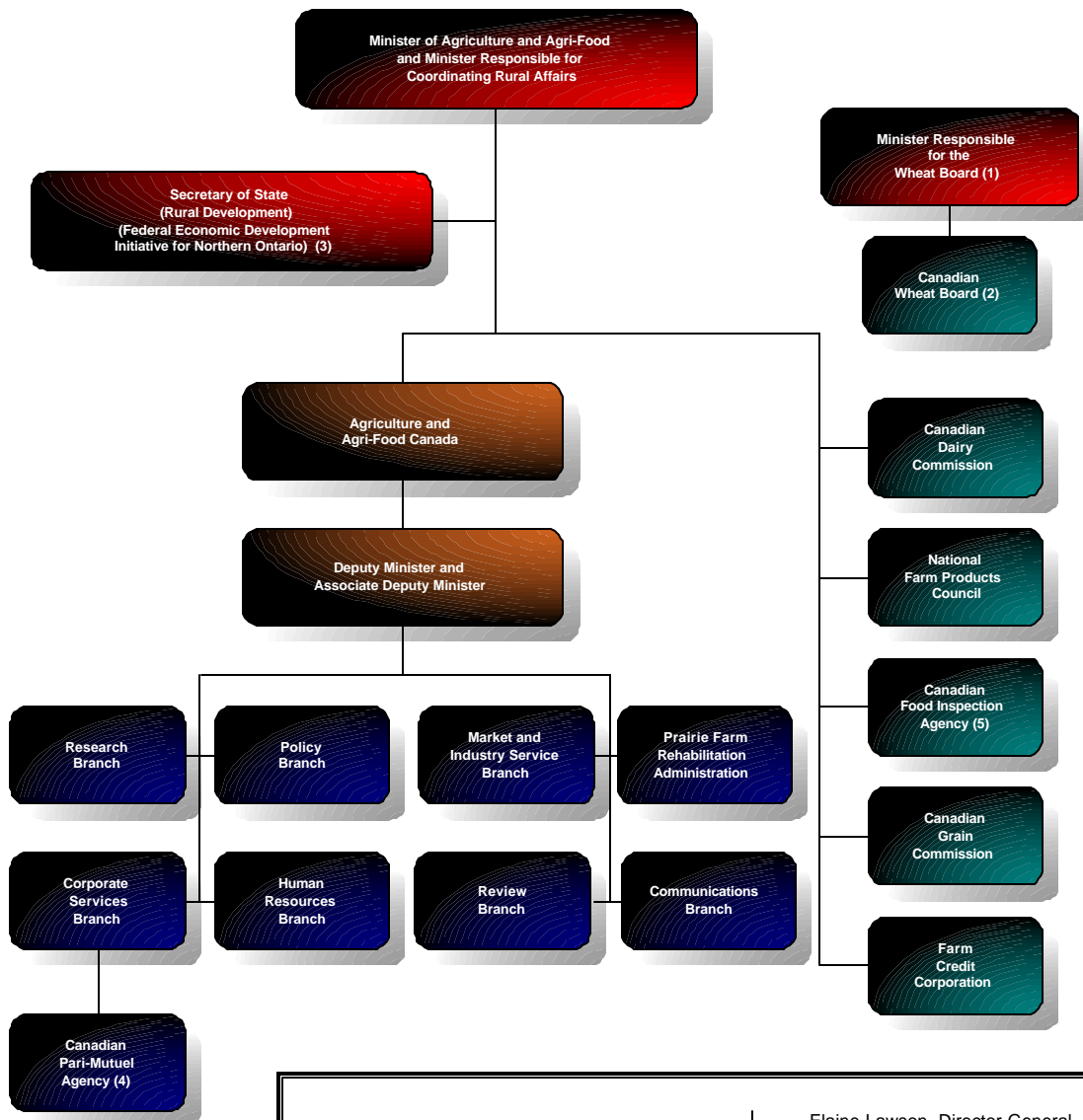
*Figures for 1998-99 are audited.

FINANCIAL TABLE 9. CANADIAN PARI-MUTUEL AGENCY REVOLVING FUND (\$ MILLIONS)

	<u>Actual 1996-97</u>	<u>Actual 1997-98</u>	<u>Planned Spending 1998-99</u>	<u>Total Authorities 1998-99</u>	<u>Actual 1998-99</u>
Revenues	13.8	13.4	14.2	14.2	13.6
Expenditures	14.4	13.9	14.2	14.2	14.5
Profit or (Loss)	(0.6)	(0.5)	0.0	0.0	(0.9)
Add items not requiring use of funds:					
Depreciation/amortization	0.2	0.1	0.2	0.2	0.1
Changes in working capital	0.1	0.1			0.4
Investing activities:					
Acquisition of depreciable assets	(0.1)	(0.2)	(0.2)	(0.2)	(0.1)
Cash surplus (requirement)	(0.4)	(0.5)	0.0	0.0	(0.5)
Authority balance	2.9	2.4	4.1	4.1	1.9

Note: A "line of credit" of \$12 million was approved as the maximum amount that may be drawn from the CRF at any time.

PORTFOLIO ORGANIZATION CHART



- Notes:
1. The Honourable Ralph Goodale is the Minister Responsible for the Canadian Wheat Board.
 2. The Canadian Wheat Board is not part of the Agriculture and Agri-Food Portfolio.
 3. The office of the Secretary of State is jointly funded by Agriculture and Agri-Food Canada and Industry Canada.
 4. On April 1, 1997, the Canadian Pari-Mutuel Agency began reporting through the Corporate Services Branch.
 5. On April 1, 1997, the Food Production and Inspection Branch became part of the Canadian Food Inspection Agency (CFIA).

<p>Frank Claydon Deputy Minister (613) 759-1101 claydonf@em.agr.ca</p> <p>Branch Contacts</p> <p>Denise Boudrias, Assistant Deputy Minister Market and Industry Services Branch (613) 759-7561 boudriasd@em.agr.ca</p> <p>Andrew Graham, Assistant Deputy Minister Corporate Services Branch (613) 759-6811 grahaman@em.agr.ca</p> <p>Douglas Hedley, Acting Assistant Deputy Minister Policy Branch (613) 759-7349 hedleyd@em.agr.ca</p>	<p>Michelle Comeau Associate Deputy Minister</p> <p>Elaine Lawson, Director General Review Branch (613) 759-6500 lawsone@em.agr.ca</p> <p>Elizabeth Massey, Executive Director Canadian Pari-Mutuel Agency (613) 946-1700 emassey@em.agr.ca</p> <p>Sharon McKay, Director General Human Resources Branch (613) 759-1196 mckays@em.agr.ca</p> <p>Dr. Brian Morrissey, Assistant Deputy Minister Research Branch (613) 759-7777 morrisseyb@em.agr.ca</p> <p>George Shaw, Director General Communications Branch (613) 759-7964 shawg@em.agr.ca</p> <p>Bernie Sonntag, Director General Prairie Farm Rehabilitation Administration (306) 780-5081 pf10354@em.agr.ca</p>
--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

SUPPLEMENTARY INFORMATION

CANADIAN GRAIN COMMISSION

The Canadian Grain Commission (CGC) is the pivotal federal agency in Canada's unique grain quality system. This system is responsible for delivering grain which is prized internationally for its reliability, consistency, safety and quality thereby enhancing the competitiveness of the Canadian Grain Industry.

The CGC's mandate as set out in the *Canada Grain Act* is to, in the interests of producers, establish and maintain standards of quality for Canadian grain and regulate grain handling in Canada, to ensure a dependable commodity for domestic and export markets. To fulfill its mandate, the CGC has identified six key commitment areas. Results achieved under each of these areas over the 1998-99 fiscal year are outlined below.

COMMITMENTS & ACHIEVEMENTS April 1998-March 1999

Grain Quality Standards

- Maximize the value of our work in setting and maintaining standards for grain quality and safety.
 - ✓ Developed new methods to measure the end use quality of new varieties of wheat, barley, oilseed and other crops. This helps to ensure that the quality of new grain varieties meets changing market requirements.

Grain Quality and Quantity Services

- Adapt activities and adjust services to meet changing customer needs and technologies.
 - ✓ Opened a new service centre in Brandon, Manitoba to help meet the increasing demand for prairie services.
 - ✓ Introduced a national dispute resolution service for weighing in response to industry concerns.
 - ✓ Implemented the Wheat Access Facilitation Program to advance freer North American trade of grain while protecting the quality of Canadian wheat.
 - ✓ Developed a framework for identity-preserved systems for consultation with the industry. Once operational, this system will allow Canada to meet the demand for grain varieties that cannot currently be accommodated within our quality assurance system.
- Maintain a cooperative relationship with the grain industry for quality assurance services.
 - ✓ Cooperated with the Canadian Wheat Board (CWB) to test the feasibility of shipping Canadian wheat to overseas markets via the U.S.A.
 - ✓ Cooperated with grain elevator companies to ensure their grain sampling and weighing systems are operating efficiently and accurately.

Market Support

- Strengthen market support activities to reinforce Canada's reputation in world grain markets.
 - ✓ Worked with soybean shippers to develop a monitoring and documentation system to strengthen buyers' confidence in Canada's ability to provide shipments that are not classified as genetically modified products.
- Enhance and strengthen customer service.
 - ✓ Worked with CWB to meet market demand for shipments of specific varieties.

Communication

- Enhance awareness and understanding among producers and the industry of end use quality issues.
 - ✓ Continued to operate a toll-free information line
 - ✓ Improved the dissemination of grain quality and safety information through the CGC web site.

Legislation and Regulation

- Increase industry responsibility by adjusting regulatory activities and eliminate outdated regulations provided we have the support of the industry.
 - ✓ Initiated an amendment to the *Canada Grain Act* to establish a separate licensing and security system for special crops that will provide for affordable licensing of special crops dealers and a voluntary, producer-funded insurance program.
 - ✓ The *Grain Futures Act* was repealed to enable the Manitoba Securities Commission to assume regulatory authority over grain futures trading. This will facilitate the Winnipeg Commodity Exchange's move into future contracts for non-grain commodities.

Grain Research and Technology

- Maintain a leading edge on new grain research and information technology.
 - ✓ Initiated collaborative research into the development of rapid instrumental objective testing. Once developed this technology will be transferred to industry where it can improve the efficiency and lower the costs of grain grading, segregation, handling and diversifying end-use.
 - ✓ Promoted the expansion of research in variety identification including possible new GMO varieties.

The CGC was recently added to Schedule I.1 of the Financial Administration Act, formalizing the arm's length relationship between the CGC and AAFC. The CGC now has a separate Vote in the Estimates, and will submit its own Departmental Performance Report for the 1999-2000 fiscal year. Below is the Chart of Key Results the CGC plans to use in its upcoming Report on Plans and Priorities and future Departmental Performance Reports.

KEY RESULTS

To provide Canadians with:
(long term impacts)

- A grain quality assurance system that enhances grain marketing in the interest of producers.

As demonstrated by:
(short and medium term results)

- a grading and inspection system that addresses the changing needs of grain markets;
- fair, open grain transactions;
- the protection of producers' rights.

NATIONAL FARM PRODUCTS COUNCIL Performance Report

The National Farm Products Council's mandate is to ensure that national supply management works in the balanced interests of all stakeholders and to enable and support promotion research agencies.

Highlighted below is the status of our key results commitments as outlined in the 1998-99 Part III of the Main Estimates

COMMITMENTS & ACHIEVEMENTS April 1998-March 1999

1. Convening workshops and conferences to discuss key issues that will help the industry reach its full potential.
 - Convened a workshop on "Growing the Industry Profitably", attracting over 100 participants from the poultry and egg industries, to explore ways to enhance industry profitability and competitiveness in the domestic and export markets. Key topics discussed were clarifying the supply management policy environment, driving out unnecessary costs and expanding domestic and international markets. A follow up report circulated to all participants and the Minister identified areas for action by both the Council and industry.
 - ✓
 - Took the lead role in organizing the 3rd annual Poultry Meat Outlook Conference in November 1998. 150 participants discussed the federal government's agri-food investment strategy, communicating the nature and consequences of environmental and public health risks and current global and domestic economic trends.
 - ✓
2. Work with the agencies, assisting them in promoting more effective marketing of farm products.
 - Council continues to assist industry to achieve profitable growth and develop export market potential. Council published a Guide to Benchmarking and assisted industry to undertake benchmarking studies. Council joined Team Canada Inc. and worked with industry to enhance export awareness and market development strategies. Plans for a poultry meat export mission to Asia were initiated.
 - ✓
3. Work with the provincial supervisory agencies to develop cost of production guidelines.
 - Served as a member of the joint Steering Committee of the National Association of Agricultural Supervisory Agencies charged with revising the Cost of Production Guidelines, which Council officially adopted in October 1998.
 - ✓
4. Develop a greater role for Council as a convenor and facilitator.
 - Council members undertook training in alternative dispute resolution methods. Council has also distributed a discussion paper to industry on alternative dispute resolution methods. This paper is intended to solicit feedback for Council to assist the industries in resolving disputes in a less formal manner than is currently employed.
 - ✓
 - Council has facilitated the process of renewing the Federal-Provincial Agreements in the poultry and egg sectors, as directed by ministers.
 - ✓
 - Council worked with the Canadian Egg Marketing Agency and the Government of the Northwest Territories to facilitate the entry of the NWT into the egg marketing plan.
 - ✓
 - Council held a hearing into a complaint by the Saskatchewan signatories to the chicken marketing plan against the Chicken Farmers of Canada. As a result of Council's recommendations the parties were able to resolve their differences.
 - ✓

CANADIAN PARI-MUTUEL AGENCY Performance Report

The Canadian Pari-Mutuel Agency's mandate is to protect the wagering public against fraudulent practices by consistently ensuring the integrity of pari-mutuel betting across Canada, thereby promoting the viability of the racing industry. The agencies two key result areas are **Innovation and Foundation** and **Corporate**.

COMMITMENTS & ACHIEVEMENTS April 1998-March 1999

Innovation and Foundation:

- Revise feature pool regulations
 - ✓ Revised triactor regulations promulgated (98/99)
- Develop new account betting regulations
 - ✓ New on-track account betting regulations promulgated (98/99)
- Begin a full regulatory review.
 - ✓ Consultation has started on further regulation amendments including drug control, cancelling of bets, new pools, etc. (99/00).

From 1999 to 2001:

- Complete a regulatory/legislative review.
 - ✓ Consultation has started on further regulation amendments including drug control, cancelling of bets, new pools, etc. (99/2000).
- Conduct testing and approval of new pari-mutuel systems and supervision techniques.
 - ✓ Two of the three Canadian pari-mutuel systems suppliers have been tested and approved for level 5.14 inter-tote communication protocol. The third system is expected to be approved by June /99. This protocol will allow global participation in betting pools.
- Award a new drug control contract
 - ✓ 1st year contracts were negotiated (98/99)
- Complete revision of policy and procedures manual for CPMA use.
 - ✓ Revised officer manuals were issued (98/99)
- From 1999 to 2001, investigate partnerships with provinces and industry on drug control and racing surveillance.
 - ✓ Consultations are continuing and proposals have been released for consideration on such issues as the control of alkalizing agents in race horses (99/00)
- Development of fully automated audit and surveillance technology with industry suppliers.
 - ✓ Initial meetings have taken place (99/00)

Corporate

- Evaluate the process for compliance to ISO-9001
 - ✓ The evaluation phase has started (99/00)
- Consolidate Ontario field offices
 - ✓ Ontario field officers have been consolidated (98/99)
- Centralize levy collection and accounting
 - ✓ Final phase has been initiated to centralize levy accounting in H.Q. (99/00).

From 1999 to 2001

- Enhance WEB page providing public with CPMA contacts, regulatory information and publication access.
 - ✓ On-line at www.cpm-aacpm.gc.ca.
- Evaluate further consolidation opportunities of field operations.
 - ✓ In conjunction with staffing considerations strategic plans are being decided.
- Annual industry meeting/workshop to assist CPMA in developing its strategic business plans, each February.
 - ✓ Consultation has started on the feasibility and acceptance of CPMA hosted industry gathering.

CONSOLIDATED REPORTING

SUSTAINABLE DEVELOPMENT STRATEGY: HIGHLIGHTS OF AAFC'S PROGRESS

Although this year marked only the first full year of the implementation by the department of its 3-year action plan, the concept of sustainable development has influenced the department beyond its SDS commitments. During the 1998-99 fiscal year the department was challenged with two new and significant sustainable development commitments. The department partnered nationally with the hog industry and the provinces to develop a hog environmental management strategy. Furthermore, the department created an Agriculture and Agri-Food Climate Change Table to develop a sectoral strategy that would form part of Canada's national strategy to meet its Kyoto Protocol commitments.

AAFC has put in place a process to ensure the implementation of its SDS. The four strategic directions within our SDS are integrated within the department's four business lines. For example, the SDS's strategic direction "Developing Innovations and Solutions" closely mirrors the business line "Innovating for a Sustainable Future". This integration helps to ensure regular and consistent reporting of accomplishments with senior management involvement. In addition, a monitoring mechanism for each of the SDS commitments has been developed and helps to ensure that the status and progress of each commitment is known. The following table highlights the progress AAFC has made over the past fiscal year in relation to its Sustainable Development Strategy commitments.

STRATEGIC DIRECTIONS/SDS OBJECTIVE	PROGRESS TO DATE/CORRECTIVE ACTION
1. Increasing Understanding	
Focus and enhance the department's analytical capabilities and provide timely and appropriate information to encourage greater integration of environmental factors into sectoral and departmental decision making.	<p>The Hog Environmental Management Strategy fostered coordination among the federal and provincial levels of government and industry, ensuring a comprehensive approach to developing solutions towards environmental problems facing the hog industry. A multi-stakeholder committee was established to set national priorities for research and technology development in response to environmental challenges faced by the expanding Canadian hog industry. New initiatives in the area of odour abatement, public communication, manure management plans, and best management practices are just a few that were funded jointly by AAFC and industry.</p>
	<p>Produced and promoted "Earth Tones" videos for the Discovery Channel and the Internet. The series packages sustainability stories into themes related to climate change, health, toxics in air and water, biodiversity, and citizen engagement. Internet material forms the basis for "Cable in the classroom", a teaching tool using the videos and lesson plans to reach 12 - 16 year old children in school.</p>

1. Increasing Understanding

- Integrate environmental sustainability objectives into departmental policies, legislation and programs.

Departmental workshops were held to develop a guide to the environmental analysis of agricultural policies and programs. A report was published.

Target: Departmental workshops will be scheduled to educate employees on how to conduct environmental analysis of agricultural policies and programs.

2. Promoting Environmental and Resource Stewardship

- Develop mechanisms to encourage adoption of practices that enhance multiple-use benefits and stewardship of natural resources within the agriculture and agri-food sector.

The National Soil and Water Conservation Program (NSWCP) was the primary program to help the agriculture and agri-food sector address their priority environmental sustainability issues. The program leveraged significant sectoral support. Initiatives that were supported included an examination of environmental, economic and social concerns related to the production, storage and use of livestock manure, as well as research into improved biological pest management control systems for British Columbia's hot house tomato industry. This program is highly regarded by industry and was concluded at the end of this fiscal year.

AAFC made progress in developing a national strategy for policy, program, research and technology transfer for the agri-food sector to contribute to Canada's national goals under the Kyoto Protocol. Ultimately, this strategy will lead to measures that will reduce greenhouse gas (GHG) emissions and facilitate adaptation to climate change. Under the process established by the National Climate Change Secretariat, AAFC set up the Agriculture and Agri-Food Table on Climate Change to examine such issues as modelling, emissions trading, and research.

The collaborate efforts of the agriculture and agri-food sector and the department have resulted in Canada having reduced its use of methyl bromide by approximately 38% of 1991 levels. The combined efforts of an industry and government working group that is co-chaired by AAFC resulted in the publication of three reports that focus on alternatives to the ozone depleting substance - methyl bromide.

Targets: To achieve 50% reduction of methyl bromide use by 2001.

To publish two reports on alternative products and technologies to methyl bromide.

STRATEGIC DIRECTIONS/SDS OBJECTIVE

PROGRESS TO DATE/CORRECTIVE ACTION

<ul style="list-style-type: none">• Integrate environmentally responsible approaches into the management of the physical operations of the department.	<p>A state-of-the-art facility for Plant Gene Resources of Canada was opened in August 1998 to provide controlled storage for the conservation of seed-crop genetic resources. New germplasm was acquired to fill gaps in the collection and to include native plants occurring across Canada.</p> <p>Cooperated with U.S. partners to develop an improved version of the Integrated Taxonomic Information System, an international database/taxonomic dictionary.</p> <p>Established a partnership with the Canadian Museum of Nature, Environment Canada and NRCan to develop a “Canadian National Biodiversity Information Initiative” to increase our national ability to electronically access authoritative biodiversity information located in major biological resource collections in Canada.</p> <p>87 PFRA Community Pastures across the Prairies are protecting 929,000 hectares of erosion prone land from cultivation. About 3,700 patrons take advantage of the pasture’s grazing and cattle breeding services. At the end of the process, preliminary estimates indicate 123,000 head of cattle and 2,700 horses will be grazing on the pastures. There are currently 50 range condition assessments and management plans completed of the 87 Community pastures.</p> <p><i>Targets: All PFRA Community Pastures will have range condition assessments and management plans finalized by 2004.</i></p> <p>PFRA is cooperating on several land management projects with Ducks Unlimited, Canadian Wildlife Service, and Saskatchewan Wetland Conservation Corporation. These projects will enhance wildlife habitat while maintaining livestock production.</p> <p>PFRA is participating on “species at risk” recovery planning teams for Prairie wildlife species. Three species currently being concentrated on are the swift fox, sage grouse and burrowing owl.</p> <p>The departmental Environmental Management Systems (EMS) Task Force selected an Environmental Management Information System for the management of AAFC’s physical operations.</p> <p>Rural community managers established their site specific environmental agendas.</p> <p><i>Targets: Acquisition of the Environmental Management Information System within the next fiscal year.</i></p>
----------------------------------------------------------------------------------------------------------------------------------------------------------------------	--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

3. Developing Innovations and Solutions

- Through research and development, increase the availability to industry of commercially viable systems and technologies to address on- and off-farm environmental effects of agricultural activities.

A new management system adding value to swine manure for fertilizing crops by increasing the amount of mineralized nitrogen and phosphorus available underwent farm scale evaluation.

A soil test and recommendations for nitrogen amendment (fertilizer and manure) provided the basis for reducing nitrate pollution in the Abottsford-Sumas aquifer.

The “Research Strategy for Hog Manure in Canada”, developed by Research Branch, addresses water quality. Specific projects include better definition of optimal conditions to place new intensive production facilities, and providing producers with tools to assess nitrogen and phosphorus in soils prior to field application of manure, to limit possible leakage into streams.

NBPT, a urease inhibitor, was found to reduce volatile losses of ammonia from surface applications of urea and urea-ammonium nitrate solutions. Improved nitrogen efficiency resulted in increased yields and protein content. Additions of NBPT to the seed row resulted in improved emergence and crop yields of barley under zero tillage.

Research in precision farming techniques is continuing to determine optimal amounts of nutrients. This work is done in collaboration with the Canadian Centre for Remote Sensing, universities, and regional Saskatchewan farmer organizations.

A collaborative project with industry resulted in the development of a process to improve the preservation of fermented vegetables without pasteurization or preservatives. It involves fermentation with lactic acid bacteria resulting in unique food products.

Targets: *The development of technology to control pathogens in vegetable products using organic acids will continue.*

“The Health of our Air” was released as a Departmental bulletin and posted on the Internet. This report reviews the greenhouse gas emissions from Canadian agriculture and lists possible methods for reducing these emissions.

- Identify areas at most environmental risk.

The Prairie Soils Carbon Sequestration Project demonstrated that conservation tillage systems can sequester 0.2 to 0.4 t/ha of carbon annually for many years. The extent of carbon sequestration depends on soil moisture regime, proper fertilization and crop rotation. The CENTURY model predicted carbon change within 10% of measured values.

A prototype regional environmental information system was developed to facilitate environmental impact assessments for sustainable rural development in eastern Ontario, in cooperation with the provincial government, municipalities, and farmer organizations.

The Prairie Agricultural Landscapes (PAL) project was launched to examine the state of land resources, systems of farm practices and potential impact of growth in the agriculture and agri-food sector of Western Canada.

4. Seizing Market Opportunities

- Increase industry awareness of environmental marketing and trade opportunities and constraints, enabling proactive responses.

PFRA's technical centres have focussed their efforts on developing the agronomics and production practices of new alternative crops such as sea buckthorn, seed potatoes, hemp, melons and a host of other crops for diversification opportunities. The Shelterbelt Centre is presently working to improve the choke cherry shrub. The objectives are to develop superior choke cherry shrubs for shelterbelt planting and cultivars conducive to commercial orchard production.

Statutory Annual Reports

Farm Income Protection Act Annual Report

Crop Insurance Program

Crop Insurance is a cost-shared program that stabilizes farmers' income by minimizing the economic effects of crop losses caused by natural hazards like drought, frost, hail, flood, wind, fire, excessive rain, heat, snow, unpreventable disease, insect infestation and wildlife. While insurance is a provincial jurisdiction and provinces are responsible for the development and delivery of the program, the federal government contributes a major portion of the funding in order to provide production risk protection to producers at an affordable cost. Federal contributions totalling \$227 million in fiscal year 1998-99 were paid to provincial crop insurance programs. These contributions are provided for under the authority of the Farm Income Protection Act (FIPA).

This voluntary program is available to farmers in all provinces for virtually all commercially grown crops. The specific crops insured and program features vary by province in accordance with the agronomic acceptability and importance in that province. However, all farmers are guaranteed a level of production for each crop insured based on previous production history. If production falls below that guaranteed level as a result of an insured peril, the farmer is eligible for an indemnity payment. The crop insurance experience for 1998-99 by province is indicated in the table below.

Total Federal Contributions to the crop Insurance Program for the 1998-99 Fiscal Year (\$000s)

	Federal Contribution to Crop Insurance Premiums	Federal Contribution to Provincial Administrative Costs	Total Federal Contributions
Newfoundland	62	5	67
Prince Edward Island	371	191	562
Nova Scotia	164	303	467
New Brunswick	1,368	622	1,990
Quebec ¹	10,936	7,378	18,314
Ontario	20,204	7,023	27,227
Manitoba ¹	38,378	3,391	41,769
Saskatchewan	58,203	12,905	71,108
Alberta ¹	42,660	11,013	53,673
British Columbia	8,976	2,727	11,703
Total	181,322	45,558	226,880

¹ Crop Insurance premiums and administrative costs include Waterfowl Crop Damage Compensation.

Source: Crop Insurance Federal Contributions Report (PASS/IDIS CI-8) dated July 8, 1999.

Crop Insurance Program Experience by Crop Year

	Number of Producers	Insured Acreage	Coverage (\$000's)	Total Premiums (\$000's)	Total Indemnities (\$000's)	Annual Loss Ratio	Cumulative Indemnity to Cumulative Revenue
Newfoundland							
1995-96	35	346	302	38	33	0.89	1.29
1996-97	34	328	302	38	42	1.09	1.28
1997-98	30	298	526	69	105	1.51	1.30
1998-99	35	578	967	114	125	1.10	1.27
Prince Edward Island							
1995-96	547	108,646	32,946	2,808	1,598	0.57	0.90
1996-97	146	25,518	21,016	2,039	1,948	0.96	0.90
1997-98	151	26,920	23,970	2,172	823	0.38	0.87
1998-99	175	37,679	25,099	1,486	1,707	1.15	0.88
Nova Scotia							
1995-96	540	29,346	11,319	546	327	0.60	0.72
1996-97	520	25,391	11,185	580	464	0.80	0.71
1997-98	513	25,356	11,810	585	766	1.31	0.73
1998-99	515	27,092	13,599	647	934	1.44	0.76
New Brunswick							
1995-96	450	71,104	38,035	7,231	7,109	0.98	1.30
1996-97	246	34,059	26,618	4,225	3,398	0.80	1.26
1997-98	205	31,770	23,862	3,591	1,467	0.41	1.21
1998-99	407	87,501	36,811	3,533	1,100	0.31	1.15
Quebec							
1995-96	11,706	1,907,998	439,523	35,342	19,876	0.56	0.94
1996-97	11,906	1,993,924	508,601	37,523	26,738	0.71	0.92
1997-98	12,019	2,047,283	523,343	39,627	42,756	1.08	0.92
1998-99	12,085	2,824,745	543,505	41,797	14,803	0.35	0.89
Ontario							
1995-96	18,292	3,108,814	930,909	70,712	19,141	0.27	0.80
1996-97	18,300	3,177,481	1,155,920	64,095	78,155	1.22	0.82
1997-98	17,411	3,296,698	1,085,251	72,811	39,999	0.55	0.80
1998-99	17,610	3,483,649	1,110,834	80,884	34,549	0.43	0.77
Manitoba							
1995-96	13,633	5,644,011	488,329	53,916	22,309	0.41	1.01
1996-97	14,609	8,070,185	755,346	82,465	11,265	0.14	0.94
1997-98	14,576	8,283,500	900,606	97,414	32,791	0.34	0.88
1998-99	13,886	8,323,364	884,097	93,650	35,000	0.37	0.83
Saskatchewan							
1995-96	41,490	19,331,609	1,361,921	185,756	157,186	0.85	1.13
1996-97	38,100	18,936,911	1,627,810	212,371	64,603	0.30	1.08
1997-98	36,031	20,329,999	1,582,382	185,565	85,973	0.46	1.04
1998-99	36,115	21,830,561	1,628,051	194,996	92,361	0.47	1.01
Alberta							
1995-96	23,000	9,394,919	691,696	114,912	56,154	0.49	0.93
1996-97	16,367	8,444,424	802,781	122,315	55,647	0.45	0.89
1997-98	17,187	9,503,386	914,344	142,580	71,677	0.50	0.87
1998-99	18,012	12,209,172	1,017,464	155,668	101,430	0.65	0.85
British Columbia							
1995-96	2,000	104,461	75,585	7,813	1,973	0.25	1.01
1996-97	1,245	94,270	82,916	7,702	5,200	0.68	1.01
1997-98	1,673	250,627	146,148	7,797	17,093	2.19	1.07
1998-99	1,953	341,466	185,642	11,424	1,715	0.15	1.01
Canada							
1995-96	111,693	39,701,254	4,070,565	479,074	285,706	0.60	1.01
1996-97	101,473	40,802,491	4,992,495	533,353	247,460	0.46	0.97
1997-98	99,796	43,795,837	5,212,242	552,211	293,450	0.53	0.94
1998-99	100,793	49,165,807	5,446,069	584,199	283,724	0.49	0.91

Source: Crop Insurance Federal Contributions Report (PASS/IDIS CI-8) dated July 9, 1999.
 Note: Figures are subject to final review of audited provincial financial statements.

Federal Crop Reinsurance Program

The reinsurance arrangements available under the *Farm Income Protection Act* (FIPA) offer provincial governments a means of sharing with the federal government the large losses that occur under a Crop Insurance Program. The federal reinsurance provisions were first made available to provinces in 1965.

How it Works

- A portion of a province's annual crop insurance premiums are paid to the federal reinsurance account. Premiums paid into the reinsurance account vary according to the risk of a payout for each province.
- A payment from the federal reinsurance account to a province is triggered whenever crop insurance indemnity payments to producers exceed the province's accumulated premium reserves and a deductible of 2.5% of the province's crop insurance liabilities (coverage).
- Any remaining indemnities are then shared with provinces on a 75%/25% basis, with the federal reinsurance account being responsible for the larger share.
- If there are insufficient funds in the federal reinsurance account to meet the required reinsurance payments, the Minister of Finance is responsible for advancing the necessary funds to the reinsurance account. Outstanding advances from the federal treasury are repaid from future reinsurance premiums.

For 1998-99, four provinces (Alberta, Saskatchewan, Manitoba and New Brunswick) had reinsurance agreements with the federal government. The table below illustrates that a total of \$24.5 million in reinsurance premiums were collected and no reinsurance payments were issued as a result of generally favourable crop conditions in 1998-99. In addition to annual premiums, the province of New Brunswick utilized \$642 thousand in federal Safety Net funding available to this province to pay down the existing deficit in the federal reinsurance account. The closing balance in the federal reinsurance account at the end of 1998-99 was about \$26.2 million surplus.

Crop Reinsurance Fund by Fiscal Year (\$000s)

	ACTUAL 1995-96	ACTUAL 1996-97	ACTUAL 1997-98	ACTUAL 1998-99
Nova Scotia ¹				
Opening Balance	710	730	752	752
Revenue	20	22	-	-
Expenditures	-	-	-	-
Closing Balance	730	752	752	752
New Brunswick				
Opening Balance	(7,815)	(7,869)	(7,239)	(4,396)
Revenue	1,150	630	838	507
Expenditures ²	(1,204)	-	2,005	765
Closing Balance	(7,869)	(7,239)	(4,396)	(3,124)
Ontario ³				
Opening Balance	9	9	9	9
Closing Balance	9	9	9	9
Manitoba				
Opening Balance	(36,729)	(28,560)	(15,208)	(7,399)
Revenue	8,169	13,352	7,809	4,473
Expenditures	-	-	-	-
Closing Balance	(28,560)	(15,208)	(7,399)	(2,926)
Saskatchewan				
Opening Balance	(324,542)	(290,876)	(258,032)	(64,493)
Revenue	31,196	30,725	31,539	18,783
Expenditures	2,470	2,119	162,000	-
Closing Balance	(290,876)	(258,032)	(64,493)	(45,710)
Alberta				
Opening Balance	25,412	41,587	58,060	76,499
Revenue	16,175	16,473	18,439	723
Expenditures	-	-	-	-
Closing Balance	41,587	58,060	76,499	77,222
Canada				
Opening Balance	(342,955)	(284,979)	(221,658)	972
Revenue	56,710	61,202	58,625	24,486
Expenditures	1,266	2,119	164,005	765
Closing Balance	(284,979)	(221,658)	972	26,223

1. Nova Scotia suspended participation in the program at the end of the 1996-97 fiscal year because of the large surplus in their provincial Crop Insurance Fund.

2. New Brunswick utilized available federal Safety Net funds for its province in 1998-99 to reduce its reinsurance deficit.

3. Ontario left the program during the 1968-69 fiscal year.

Net Income Stabilization Account (NISA)

This account was established by section 15 of the *Farm Income Protection Act* and the Federal/Provincial Agreement establishing the NISA Program, to help participating producers of qualifying agricultural commodities achieve long term improved income stability. The Program allows participants to deposit funds up to predetermined limits into an account held at a participating financial institution, and receive matching contributions from the federal and provincial governments. These funds are held on behalf of the participants. The account records transactions relating to the Consolidated Revenue Fund or participating financial institutions as follows:

- (a) participant matchable deposits held in participating financial institutions. For the fiscal year ending March 31, 1999, participant deposits pertained, in most part, to the 1997 stabilization year (the period for which a participant filed a 1997 tax return). Participants are entitled to make matchable deposits based on eligible net sales (ENS) which are limited to \$250,000 per individual. For the 1997 stabilization year, the Agreement allowed for matchable deposits of up to three percent of the ENS for most qualifying commodities. Additional participant deposits were allowed by separate agreement between Canada and a province;
- (b) government matching contributions on participant matchable deposits. For the 1997 stabilization year, with the exception of Alberta, the federal and provincial governments provided matching contributions equal to two thirds and one third, respectively, of participant matchable deposits. The federal government contributed the full three percent for Alberta;
- (c) participant non-matchable deposits held in participating financial institutions, which are limited to an annual maximum of 20 percent of ENS (carried forward for up to five years);
- (d) interest paid by the federal Government on funds held in the Consolidated Revenue Fund, at rates and in accordance with terms and conditions determined by the Minister of Finance;
- (e) interest paid by participating financial institutions on funds held for participants, at rates set by negotiation between the participant and the financial institution;
- (f) bonus interest of three percent per annum, split between the federal and provincial governments (with the exception of Alberta where the federal government pays the full three percent), calculated on participant deposits; less,
- (g) withdrawals by participants from funds held in the Consolidated Revenue Fund or participating financial institutions (participants are entitled to make annual account withdrawals up to the amount allowed by the larger of two triggers; a stabilization trigger and a minimum income trigger).

The following tables illustrate producer deposits and withdrawals, government contributions and interest paid into the Account for the 1995, 1996 and 1997 stabilization years. Refer to the definitions of financial statement accounts above (a to g).

Net Income Account — Statement of Net Assets of Program Participants (dollars)

ASSETS	March 31 1997	March 31 1998 ¹	March 31 1999 (Unaudited)
Cash			
Cash in Participant Accounts (a) + (c) - (g)			
Fund 1			
Consolidated Revenue Fund	210,755,946	3,082,168	2,781,917
Financial Institutions	751,499,288	1,210,672,864	1,409,962,806
	962,255,234	1,213,755,032	1,412,744,723
Fund 2 (b),(d),(e),(f) - (g)	973,667,362	1,242,484,701	1,416,647,828
	1,935,922,596	2,456,239,733	2,829,392,551
Accounts Receivable			
Participants	3,071,483	1,251,520	1,969,198
Financial Institutions - interest on participant accounts	4,127,303	8,975,360	10,903,358
Government contributions and bonus interest			
Federal	31,116,467	5,576,964	2,874,235
Provincial	5,144,570	3,997,118	1,716,974
	43,459,823	19,800,962	17,463,765
Total Assets	1,979,382,419	2,476,040,695	2,846,856,316
LIABILITIES			
Participant withdrawals payable	29,108,690	24,327,768	27,255,364
Net Assets of Program Participants	1,950,273,729	2,451,712,927	2,819,600,952

1. The March 31, 1998 comparative figures have been updated to reflect adjustments resulting from the audit of NISA by The Office of the Auditor General. In addition, comparative figures have been reclassified to conform with presentation adopted for the year ended March 31, 1999 (1997 stabilization year).

**Net Income Stabilization Account (NISA) —
Statement of Changes in Net Assets of Program Participants (dollars)**

	Stabilization Year(s) (note 2)		
	1995	1996¹	1997 (Unaudited)
Participant Deposits			
Matchable (a)	364,358,700	313,153,992	346,077,542
Non-Matchable (c)	39,570,049	27,962,085	17,156,923
Administrative cost share	638,348	66,674	1,317
	<hr/> 404,567,097	<hr/> 341,182,751	<hr/> 363,235,782
Government matching contributions (b)			
Basic:			
Federal	176,487,064	202,477,369	223,674,971
Provincial	88,396,726	74,001,655	82,580,333
Enhanced			
Federal	56,134,480	18,248,399	18,348,103
Provincial	43,340,430	18,426,569	20,014,019
	<hr/> 364,358,700	<hr/> 313,153,992	<hr/> 344,617,426
Other government contributions (b)			
Federal	78,219,108	40,038	42,075
Provincial	1,468,691	40,038	42,075
	<hr/> 79,687,799	<hr/> 80,076	<hr/> 84,150
Interest			
Regular interest			
Consolidated revenue fund (e)	36,913,186	35,670,045	56,714,974
Financial institutions (e)	19,824,435	38,905,311	55,233,996
Bonus interest (f)			
Federal	11,427,816	18,257,486	22,089,006
Provincial	10,005,182	12,116,731	14,775,786
	<hr/> 78,170,619	<hr/> 104,949,573	<hr/> 148,813,762
Increase in Net Assets	<hr/> 926,784,215	<hr/> 759,366,392	<hr/> 856,751,120
Participant Withdrawals (g)			
Fund 1	70,056,922	92,663,631	167,735,157
Fund 2	118,451,424	157,011,980	312,940,643
	<hr/> 188,508,346	<hr/> 249,675,611	<hr/> 480,675,800
Administrative cost share (g)	7,643,840	8,251,583	8,187,295
Decrease in Net Assets	<hr/> 196,152,186	<hr/> 257,927,194	<hr/> 488,863,095
Change in Net Assets for the Stabilization Year	<hr/> 730,632,029	<hr/> 501,439,198	<hr/> 367,888,025
Net Assets - Beginning for Stabilization Year	<hr/> 1,219,641,700	<hr/> 1,950,273,729	<hr/> 2,451,712,927
Net Assets - End of Stabilization Year	<hr/> <hr/> 1,950,273,729	<hr/> <hr/> 2,451,712,927	<hr/> <hr/> 2,819,600,952

1. The 1996 comparative figures have been updated to reflect adjustments resulting from the audit of NISA by The Office of the Auditor General. In addition, comparative figures have been reclassified to conform with presentation adopted for the year ended March 31, 1999 (1997 stabilization year).

2. The period for which the participant files an income tax return.

Province Specific Companion Programs

Companion programs have come about because the federal and provincial governments have agreed on the need to facilitate the transition from farmers' reliance on governments to offset their risks, to a situation where they are increasingly responsible for their own economic well-being. The Province Specific Companion Programs fall into four broad categories.

PROVINCE	PROGRAM NAME	1997-98 Federal Funding (\$000's)	1998-99 Federal Funding (\$000's)
1. Industry Research and Development Programs - represent programs directed to enhancing the long-term competitiveness and stability of the sector, through research, development, training, promotion, etc.			
British Columbia	Investment Agriculture (Development) Funds	7,267	7,267
	Sterile Insect Release	2,000	-
	Peace River Agriculture Development	-	142
Alberta	Development Funds	1,403	2,155
Manitoba	Research and Development	1,000	50
Ontario	Development Programs	3,000	3,000
Nova Scotia	Apple Industry Development Fund	74	69
	Technology 2000	663	494
	Research and Development for Grain and Forage	15	-
	Promotion and Awareness	-	81
Newfoundland	Agri-food Innovation	1,256	1,749
2. Whole-farm (Disaster) Programs - are non-NISA disaster programs based on gross margins for individual farm units.			
Alberta	Farm Income Disaster Program	37,100	-
Prince Edward Island	Agricultural Disaster Insurance Program	682	815
3. Programs for Transition to Whole-farm - these programs are designed to assist the sector in making a smooth transition to the whole-farm safety net system.			
Ontario	Market Revenue Program	10,000	10,000
4. Other			
Alberta	Forage Write-Down	13,000	-
Saskatchewan	Big Game Damage Compensation	2,193	5,870
	New Crop Development	-	15,000
	Waterfowl Damage Compensation Fund	-	12,000
Manitoba	Wildlife Crop Damage	1,401	130
	Livestock Predation Compensation	-	87
Quebec	Additional Federal Contribution to ASRA	62,946	26,932
	Federal Contribution to the Farm Income Stabilization Insurance (ASRA)	42,878	14,926
New Brunswick	New Brunswick Debt Refinancing Program	129	-

Note: The Gross Revenue Insurance Plan (GRIP) terminated in 1995-96. In 1998-99 wind-down costs totalled \$140,000 compared to \$187,000 the previous year.

National Tripartite Stabilization Plan (NTSP)

The NTSP is a market risk protection program originally established under the *Agricultural Stabilization Act* (which was repealed in April 1991). It now operates as a “revenue insurance program” under the authority of the FIPA. The objective of this program is to reduce losses to producers due to adverse changes in market prices or costs. Between 1986 and 1989, the federal and provincial governments signed eight agreements establishing twelve commodity plans including: Beef (Slaughter Cattle, Feeder Cattle, Cow-Calf), Hogs, Lambs, Beans (White Pea Beans, Kidney/Cranberry, Other Coloured), Apples, Sugar Beets, Onions and Honey. Producers voluntarily enrolled into the plans.

The NTSP for sugar beets in Manitoba is the last active NTSP commodity plan and was terminated at the end of the 1996-97 crop year. Final program calculations have been completed in 1998-99 following the completion of all sugar sales from the 1996-97 crop. The program has ended in a surplus. This was the last crop of sugar beets produced in Manitoba following the closure of the sugar refinery in Winnipeg.

In general, if a Plan terminates in a surplus position, the surplus is shared proportionately between the producers, participating provinces and the federal government. If a Plan terminates in a deficit position, the deficit is generally shared equally between the participating provinces and the federal government.

National Tripartite Stabilization Plan Account Balances (active accounts only) for the fiscal year ending March 31, 1999 (\$000s)	
SUGAR BEETS II	
Opening Operating Balance	7,409
Add:	
Producer Premiums	-
Provincial Contributions	-
Federal Contributions	-
Interest Earned	418
Stabilization Overpayment Recovery	-
Total Revenue	418
Less:	
Partial Surplus Distribution	-
Interest Paid	-
Total Expenditure	0
Closing Operating Balance	7,827

Farm Debt Review Act Annual Report

Farm Debt Review Boards were established in 1986 in each province to ensure that farmers in financial difficulty, or actually facing a farm foreclosure, are afforded an impartial third-party review of individual farm circumstances. As part of the process, the Boards mediated between the farmer and his/her creditor(s) to try and reach a mutually satisfactory arrangement.

The Farm Debt Review Act was repealed effective April 1, 1998 when the Farm Debt Mediation Act came into force. Provisions in the new Act allowed for completion of Farm Debt Review Board carry-over cases under the new legislation.

There were 276 carry-over cases in 1998. Of the 27,570 applications which came to the Boards since program inception in August 1986, 23,504 were completed, 4,066 were withdrawn or rejected. Within the completed cases 75.6% (17,775) had mutually satisfactory arrangements identified among the parties and of these, 88.6% (15,760) were signed. Of the remaining 5,729 completed cases where no arrangements were identified, farmers still received a detailed financial review and mediation service and were in a better position to manage their overall situation as a result of the process. Figure 16 provides a summary of the activity under the Farm Debt Review Board Process, and the carry-over activity in 1998.

Summary of Activity Under the Farm Debt Review Boards Process

Applications by Calendar Year		Nfld.	P.E.I.	N.S.	N.B.	Que.	Ont.	Man.	Sask.	Alta.	B.C.	Canada Total
Actual 1998	Carry-over Applications	2	15	6	5	42	13	30	132	20	11	276
	Applications Withdrawn/ Rejected	0	0	0	0	1	1	0	0	0	1	3
	No Arrangements Identified	1	10	2	3	16	6	2	2	2	3	47
	Arrangements Identified	1	5	4	2	25	6	28	130	18	7	226
	Arrangements Signed	0	0	0	0	25	6	28	130	32	11	232
Actual 1997	New Applications	2	31	16	21	124	145	80	384	172	23	998
	Applications Withdrawn/ Rejected	0	1	0	1	11	67	1	4	39	4	128
	No Arrangement Identified	0	8	4	8	37	39	8	42	51	1	198
	Arrangements Identified	5	24	10	10	68	51	47	279	90	8	592
	Arrangements Signed	4	5	3	10	69	31	54	321	163	6	666
Actual 1996	New Applications	8	31	13	8	124	262	71	415	202	8	1142
	Applications Withdrawn/ Rejected	1	0	1	2	4	170	0	27	31	0	236
	No Arrangement Identified	2	14	4	3	23	39	31	38	33	4	191
	Arrangements Identified	4	15	10	6	90	46	41	334	126	5	677
	Arrangements Signed	3	3	11	4	35	29	34	316	84	4	523
Actual 1995	New Applications	14	11	28	16	111	281	51	455	131	2	1,100
	Applications Withdrawn/ Rejected	4	-	-	3	7	165	-	37	26	1	243
	No Arrangement Identified	2	4	5	1	11	78	37	57	26	-	221
	Arrangements Identified	9	11	25	9	108	61	17	399	84	-	723
	Arrangements Signed	6	1	17	8	46	29	11	387	89	-	594

Note: Applications received in any year might not be completed nor arrangements signed until the following year.

Farm Improvement and Marketing Cooperatives Loans Act (FIMCLA) Annual Report

FIMCLA helps producers and producer owned cooperatives gain access to intermediate term credit on reasonable terms to improve farm assets, strengthen production and improve financial stability. Under FIMCLA, the Minister of Agriculture and Agri-Food provides a loan guarantee to designated lending institutions. These loans are based on up to 80% of the current appraised value or the purchase price, which ever is smaller. Producers and producer owned cooperative apply directly through a lending institution.

The table below provides statistics on the operation of this program since 1994. FIMCLA provided over 2.19 billion in loan guarantees to the farming sector over the last five years. Revenues have exceeded payments by about 5.02 million over the past 5 years.

In 1998, 8,641 loans were issued by Canadian lending institutions for a total of about 259 million. The number of new loans registered decreased in 1998 by about 46% from the previous year.

The five-year review is:

General Statistics regarding the Farm Improvement and Marketing Cooperatives Loans Act

	1994-95	1995-96	1996-97	1997-98	1998-99
Number of new loans registered	19,702	14,086	16,250	15,946	8,641
Value of new loans registered (\$000s)	551,500	371,922	488,759	516,885	259,174
Claims paid (\$000s)	822	1,537	1,664	691	2,258
Loan registration fees (\$000s)	2,758	1,860	2,443	2,599	1,296
Recoveries of claims paid out (\$000s)	1,555	1,149	1,199	791	709
Administration Costs (\$000s)	567	567	567	567	1,000
Net Gain (\$000s)	2,924	582	632	2,132	(1,253)

Note: Claims paid out in a fiscal year are not necessarily related to loans issued in the same year and could include claims paid out against guarantees issued under FILA.

Agricultural Marketing Programs Act (AMPA) 1998-99

Crop Year Annual Report

The Agricultural Marketing Programs Act received Royal Assent on April 25, 1997. The Act has three parts that amalgamate four pieces of legislation, the Advance Payments for Crops Act (APCA), the Prairie Grain Advance Payments Act (PGAPA), the Agricultural Products Cooperative Marketing Act (APCMA) and the Agricultural Products Board Act. The Act also includes the interest free provisions on cash advances formerly provided under the Cash Flow Enhancement Program. The 1998 crop year is the first year of operation for the programs under the new Act.

Advance Payments Program

Under the Advance Payments Program (APP), the Government guarantees the repayment of the advances producer organizations issue to producers as a means of improving cash flow at or after harvest. Each producer can obtain up to \$250,000 with the Government paying the interest on the first \$50,000 advanced to each producer. The advances are based on the security of the crop the producers have in storage and are repaid as the crop is sold. Should a producer not repay the advance, the Government reimburses the producer organization for the advance and the producer becomes indebted to the Crown for the amount of the payment.

The purpose of the advances is to improve marketing opportunities for producers. The advances allow producers to market the crops later in the season when the market conditions may result in better prices. As the crops are marketed throughout the year, the program encourages a more orderly marketing of crops.

For the 1998-99 crop year, the Department entered into forty-five (45) agreements with producer organizations across Canada, including the Canadian Wheat Board. These organizations issued advances to approximately 38,303 producers for \$807.3 million. During the 1998-99 fiscal year, the Department paid \$16.6 million in interest costs related to these agreements. As the agreements cover the entire marketing period for the 1998 crop and are, therefore, in effect until the fall of 1999, the organizations will not be in a position to make any claims on the Government guarantee until after this time.

Crop Year	Number of Organizations	Canadian Wheat Board Advances (\$ Millions)	Non-Wheat Board Advances (\$ Millions)	Total Advances Issued (\$ Millions)	Default Payments (\$ Millions)	Total Interest Costs (\$ Millions)
1992-93	50	1,081	122	1,203	46.8	46.2
1993-94	47	819	150	969	62.6	13.4
1994-95	49	524	206	730	11.3	21.2
1995-96	50	542	212	754	6.9	18.3
1996-97	47	875	272	1,147	23.3	16.3
1997-98	45	533	237	770	6.4	12.3
1998-99	45	468	339	807	N/A	16.6

* Note:

- The information provided for the 1997 and 1998 crop years pertains to the APP under AMPA. Historical information provided for crop years 1992 to 1996 inclusively pertains to the former APCA and PGAPA.
- The information provided is based on a crop year, which is approximately July 31 to August 1 and therefore, does not coincide with the Government's fiscal year. Consequently, the amounts provided for interest costs will not be the same as those provided in the Public Accounts which are on a fiscal year basis.

Price Pooling Program (PPP)

The new legislation incorporated the provisions of the Agricultural Products Cooperative Marketing Act (APCMA) into the Price Pooling Program. The purpose of the program is to facilitate the marketing of agricultural products under a cooperative plan. Under the PPP, as was the case under the former APCMA, the government guarantees a minimum average wholesale price for an agricultural product sold by a marketing agency. The price guarantee agreement entered into with the marketing agencies protects the growers against unanticipated declines in the market price of their products and covers the initial payment made to producers plus costs incurred by the agencies to market the product, to a fixed maximum. The price guarantee helps the agencies obtaining financing to make the initial payment and fund its marketing operations as the financial institution view the government's guarantee as security on the loan. The initial payment is made to the producer by the marketing agencies on delivery of the agricultural product. The price guarantee is based on the expected average wholesale price for a given crop year. Should the average wholesale price received by the marketing agency for the crop year be below the guaranteed price, the government reimburses the agency for the difference from the Consolidated Revenue Fund.

For the 1998-99 crop year, over \$191 million in price guarantees, under AMPA, were provided to five marketing agencies across Canada for the benefits of nearly 20,650 producers. No payment was made under the Price Pooling Program during the 1998-99 fiscal year. No claim is anticipated for the 1998-99 crop year. However, claim could be received later as the 1998-99 crop year agreements cover the marketing period that is in effect until the fall of 1999.

In 1993, the Receivers for Eastern Ontario Vegetable Growers' Co-operative Inc. filed a claim under the APCMA relating to the 1991/92 crop year losses incurred by the Co-operative. The claim remains under review.

PPP and APCMA Historical Summary of Agreements *

Crop Year	Number of Marketing Agencies	Number of Producers	Total Guarantee (\$000s)	Liability Payments (\$000s)	
1992-93	19	24,504	228,351	16	(a)
1993-94	14	23,865			
1994-95	9	21,177	270,060		
1995-96	8	21,900	298,738		
1996-97	4	21,222	183,979	17,285	(b)
1997-98	5	21,050	160,520		
1998-99	5	20,650	191,494		
Total			1,463,618	17,301	

Liability Payments (\$000's)

4. Commercial Pheasant Producers Cooperatives (1992)

b. Ontario Wheat Producers Marketing Board (1996) - \$17,285,421

*Note: The information provided for the 1997 and 1998 crop years pertain to the PPP under AMPA. Historical information provided for crop years 1992 to 1996 inclusively pertains to the former APCMA.

Government Purchases Program

Under the Government Purchases Program, the Minister of Agriculture and Agri-Food, with the authorization of the Governor-in-Council, may purchase and sell agricultural products. This authority would be used if unusual market conditions exist, as by intervening, the Minister could improve the marketing environment for a given product. Since AMPA was passed, this part of the Act has not been used. The program was last used in 1994-95 for the purchase of \$253,000 of mink pelts.