



Canadian Food
Inspection Agency

Agence canadienne
d'inspection des aliments

2002-2003 ANNUAL REPORT



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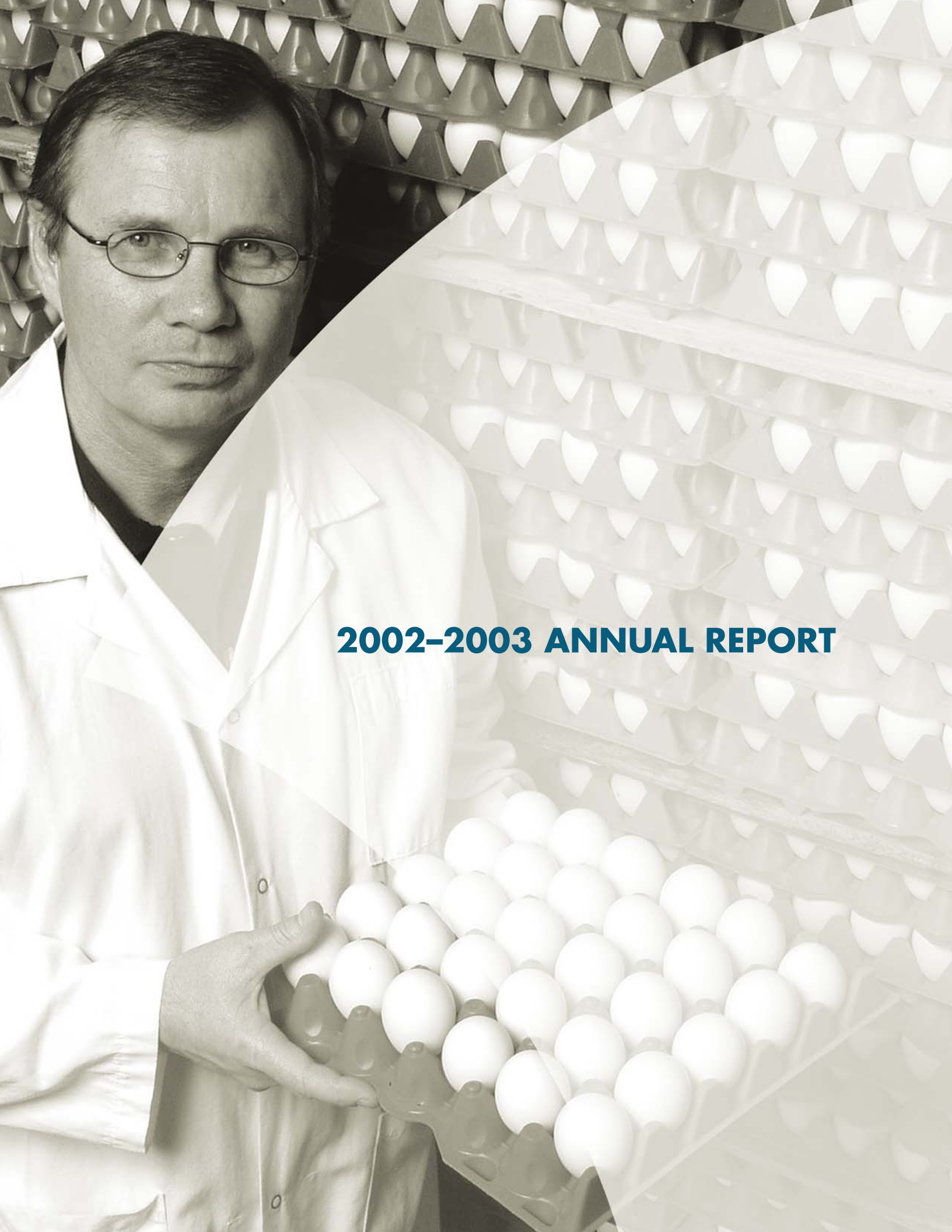
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2002-2003 ANNUAL REPORT

TABLE OF CONTENTS

1.0 Messages	iii
Letter to the Minister	iv
Message from the President	v
Management Statement of Responsibility	vi
2.0 Introduction	1
2.1 Agency Overview	1
2.2 Supporting Government Priorities	5
2.3 The CFIA's Key Challenges and Risks	5
3.0 Performance	7
3.1 How We Plan and Report	7
3.1.1 Business line spending	9
3.1.2 Promoting compliance	10
3.2 Food Safety	11
3.3 Animal Health	22
3.4 Plant Protection	33
3.5 Horizontal Strategies	43
3.6 Human Resources Management	47
3.7 Modern Management Initiatives	55
4.0 Our First Five Years as an Agency—Looking Back, Planning Ahead	57
5.0 Auditor General's Assessment of Performance Information	59
6.0 Financial Performance	65
Annex 1 Food Safety Performance by Program	80
Annex 2 Business Line Logic Models	119



1.0 MESSAGES



Canadian Food Inspection
Agency

President

Ottawa, Ontario
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Agence canadienne d'inspection
des aliments

Président

Ottawa (Ontario)
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December 5, 2003

The Honourable Lyle Vanclief, PC, MP
Minister of Agriculture and Agri-Food
Room 207, Confederation Building
House of Commons
Ottawa, Ontario K1A 0A6

Dear Minister Vanclief:

In accordance with requirements in Section 23 of the *Canadian Food Inspection Agency Act*, I am pleased to present to you, and to Parliament, the CFIA's 2002-03 Annual Report.

The report describes the activities of CFIA personnel and the results they achieved in working to protect Canada's food supply and the plants and animals upon which safe and high-quality food depends. Performance information is organized along the Agency's business lines and is presented in the context of our performance management framework. The report also includes the March 31, 2003 audited financial statements and the Auditor General's assessment of the Agency's performance information.

Sincerely,

Richard B. Fadden

Canada

MESSAGE FROM THE PRESIDENT

I am pleased to present the Canadian Food Inspection Agency's (CFIA) sixth annual report, covering the period from April 1, 2002, to March 31, 2003. During the past year, the CFIA has successfully dealt with an increasing demand for its services and a number of significant challenges, while fulfilling its mandate to safeguard Canada's food supply and the plants and animals on which safe and high-quality food depends.

Food safety continues to be our top priority. Last year saw the recall of a variety of products from store shelves, protecting consumers from potential health hazards. The Agency also sought to prevent foodborne illness with our Food Recall/Allergy Alert Outreach program designed to teach food safety principles to children. Through the On-Farm Food Safety Recognition Program, the Agency worked with government and industry partners to strengthen the food safety system along the entire food continuum.

This past year was also a busy one in the area of animal health, with continuing efforts to control and isolate significant animal diseases such as bovine tuberculosis and chronic wasting disease in deer. Although it occurred after the 2002–03 fiscal year, it would be difficult not to mention the discovery of bovine spongiform encephalopathy (BSE) in Canada in May 2003. The CFIA conducted a thorough scientific investigation and was internationally recognized for its efforts.

The Agency addressed new threats to Canada's plant resources. These included the emerald ash borer, a tree-killing insect that spread from southeastern Michigan to Windsor, Ontario, and the swede midge, a tiny insect that threatens cole crops.

The CFIA would not be able to achieve its results without highly qualified, competent and professional employees. The CFIA continued its ongoing efforts to attract and retain skilled employees and build a supportive work environment.

The past year has also been a time for planning for the future, as the CFIA prepared its Corporate Business Plan for 2003–08, which was tabled in Parliament by our Minister on June 18, 2003. The Plan, the second in the Agency's history, outlines five strategic goals on which the Agency will focus its efforts for the next five years:

- protecting Canadians from preventable health risks;
- delivering a fair and effective regulatory regime;
- sustaining the plant and animal resource base;
- promoting the security of Canada's food supply; and
- providing sound Agency management.

All of these strategic goals support established Government of Canada priorities, providing key benefits for all Canadians.

The CFIA was included in the 2003 Budget speech, in which the Agency's annual budget was increased by \$50 million. I see this as recognition, both of the increased pressures under which the Agency operates and of the importance of our activities in achieving key federal government priorities.

I believe we can be proud of the work we have accomplished, and I look forward to another year of working with a dedicated, competent and professional team to serve the people of Canada.



Richard B. Fadden
President

MANAGEMENT STATEMENT OF RESPONSIBILITY

The Canadian Food Inspection Agency's (CFIA) Annual Report for the year ending March 31, 2003, was prepared under the direction of the President of the CFIA and approved by the Minister of Agriculture and Agri-Food Canada. In accordance with the *Canadian Food Inspection Agency Act*, this report also includes an assessment of the fairness and reliability of the performance information prepared by the Auditor General of Canada.

CFIA management is responsible for the accuracy and completeness of the information presented in this annual report. To fulfil this responsibility, management maintains financial and management control systems and practices that provide reasonable assurance that the information presented is accurate and complete.

We believe that significant improvements have been made in this year's annual report. The report is structured along strategic outcomes and results are reported against the objectives set out in the Agency's 2002-03 Report on Plans and Priorities. The presentation of performance information is balanced, and includes all aspects of the CFIA's mandate. Finally, the report acknowledges the contribution of the CFIA's key partners to the achievement of the Agency's overall objectives.

Earlier this year, the CFIA's 2003-08 Corporate Business Plan was tabled in Parliament. The plan provides a clear strategy and an improved planning framework for the Agency's future accountability and performance reporting. Over the next five years, the Agency will concentrate its efforts on the following five strategic objectives that correspond with key Government of Canada priorities:

- Protecting Canadians from preventable health risks;
- Delivering a fair and effective regulatory regime;
- Sustaining the plant and animal resource base;
- Promoting the security of Canada's food supply; and
- Providing sound agency management.

The CFIA's focus on measuring and reporting performance against these objectives will enhance the Agency's accountability and performance reporting for Parliament and for Canadians.



Tom Beaver
Executive Director,
Corporate Planning, Reporting and Accountability

2.0 INTRODUCTION

2.1 AGENCY OVERVIEW

The Canadian Food Inspection Agency (CFIA) is mandated to safeguard Canada's food supply and the plants and animals upon which safe and high-quality food depends.

Accordingly, the CFIA is the Government of Canada's key science-based regulator for the following:

- food safety*
- animal health
- plant protection

** in partnership with Health Canada*

Key to the CFIA's success are three interrelated and integral factors—sound science, the delivery of effective inspection services and the fostering of strong partnerships.

Sound Science

The basis of the CFIA's program design, delivery and regulatory decision making is sound science. The Agency relies on science as an essential component of its regulatory decision making. The specific kinds of science that the CFIA needs and uses to support its business lines include laboratory science, risk assessment, surveillance, technology development and research. The Agency also undertakes analysis of scientific research data and information to provide scientific advice and identify emerging issues.

Effective Inspection

The CFIA is responsible for the administration and/or enforcement of 13 federal acts and their respective regulations. Through the delivery of inspection and other related services—ranging from product and establishment inspection to export certification and on-site safety assessments of foreign firms—the Agency verifies compliance with these acts. Critical to the effective delivery of the CFIA's mandate is the ongoing design and development of inspection-related tools and processes. These include the continual review of regulations and policies and the implementation of new science-based inspection methodologies.

THE CFIA'S LEGISLATIVE AUTHORITY:

- *Agriculture and Agri-Food Administrative Monetary Penalties Act*
- *Canada Agricultural Products Act*
- *Canadian Food Inspection Agency Act*
- *Consumer Packaging and Labelling Act**
- *Feeds Act*
- *Fertilizers Act*
- *Fish Inspection Act*
- *Food and Drugs Act**
- *Health of Animals Act*
- *Meat Inspection Act*
- *Plant Breeders' Rights Act*
- *Plant Protection Act*
- *Seeds Act*

**as it relates to food*

Strong Partnerships

The CFIA delivers its mandate in many areas of shared jurisdiction and responsibility. Strong partnerships with other federal government departments, as well as with provincial, territorial and municipal authorities, are imperative to the Agency's success. Partners share responsibility for setting and/or enforcing standards that support the integrity of Canada's food safety, animal health and plant protection systems.

THE CFIA'S KEY FEDERAL PARTNERS INCLUDE:

- Health Canada
- Agriculture and Agri-Food Canada
- Fisheries and Oceans Canada
- Natural Resources Canada
- Department of Foreign Affairs and International Trade
- Environment Canada
- Canada Customs and Revenue Agency
- Office of Critical Infrastructure Protection and Emergency Preparedness
- Canadian Forest Service
- Canadian Grain Commission

Specifically in the area of food safety, Health Canada and the CFIA share unique and complementary roles and responsibilities. Health Canada is responsible for food safety policies, standards and regulations, while the CFIA is responsible for all food inspection and compliance activities, as well as the development of regulations and policies related to fair and accurate food labelling and compositional standards.

The scientific community is another of the CFIA's key partners, since the Agency regularly seeks input from scientific experts when developing regulations and policies. The CFIA also recognizes the critical importance of working closely with its broad range of stakeholders. These stakeholders include the Agency's regulated parties, as well as associations representing consumers and public health, animal welfare and environmental interests.

In an international context, the CFIA is a global player, striving to ensure that the international regulatory framework, as it relates to the Agency's mandate, is strong, coherent and science-based. In support of Canada's regulatory objectives, the

CFIA leads or participates in the development of a number of international agreements, arrangements and standards.

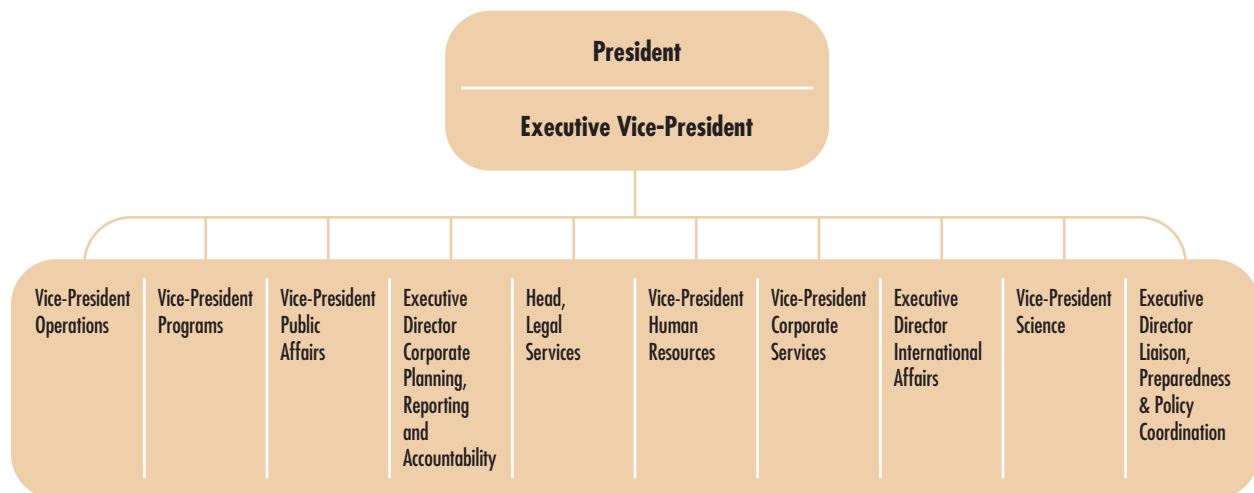
Regulated Sectors

Sectors regulated by the CFIA include agriculture, food, plant nurseries and forestries. Products that may be subject to inspection or certification by the CFIA range from agricultural inputs—such as seeds, feeds and fertilizers—to fresh foods—including meat, fish, eggs, dairy products, fruit and vegetables—and prepared and packaged foods. Those who benefit from the Agency's services include farmers, fishers, foresters, processors, distributors (importers and exporters) and, ultimately, all Canadian consumers.

Organizational Structure

The CFIA is headed by a President who reports to the Minister of Agriculture and Agri-Food. Each CFIA executive committee member is accountable for specific aspects of the Agency's policy, programming and administrative functions. The following organizational chart depicts the senior executive structure within the CFIA.

THE ORGANIZATIONAL STRUCTURE OF THE CANADIAN FOOD INSPECTION AGENCY

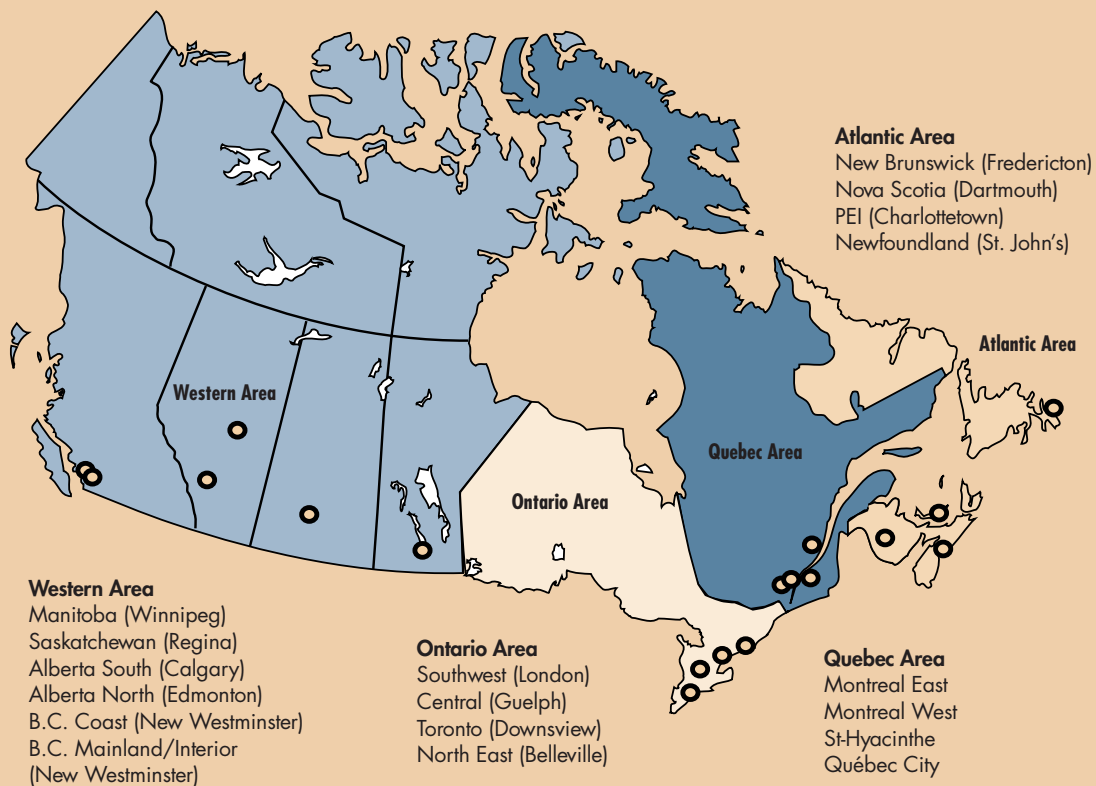


The CFIA's Workforce

With more than 5500 dedicated professionals working across Canada, the CFIA is Canada's largest science-based regulatory agency. CFIA personnel include highly trained inspectors, veterinarians, agronomists, biologists, chemists, administrative staff, computer system specialists, financial officers, economists, communication experts, research scientists, laboratory technicians and managers.

With its headquarters in the National Capital Region, the CFIA is organized into four operational areas (Atlantic, Quebec, Ontario and Western) that are subdivided into 18 regional offices, 185 field offices (including border points of entry) and hundreds of offices in non-government establishments, such as meat processing facilities. The Agency also has 21 laboratories and research facilities that provide scientific advice, develop new technologies, provide testing services and conduct research.

CANADIAN FOOD INSPECTION AGENCY AREA AND REGIONAL OFFICES



2.2 SUPPORTING GOVERNMENT PRIORITIES

In carrying out its mandate to safeguard Canada's food supply, plants and animals, the Agency has established five strategic goals that are outlined in the CFIA's 2003–08 *Corporate Business Plan*. Each goal supports established Government of Canada priorities, providing key benefits for all Canadians:

GOVERNMENT OF CANADA'S PRIORITY

- Public Health
- Economic Growth
- Environmental Protection
- Public Security
- Good Governance

THE CFIA'S CONTRIBUTION

- Protecting Canadians from preventable health risks
- Delivering a fair and effective regulatory regime
- Sustaining the plant and animal resource base
- Promoting the security of Canada's food supply
- Providing sound agency management

2.3 THE CFIA'S KEY CHALLENGES AND RISKS

The CFIA's plans and priorities are influenced by a number of challenges and risks that could affect the future of food safety, animal health and plant protection in Canada. Issues such as increased global trade, major pest and disease outbreaks, evolving (and in some cases conflicting) science and changing societal values require strategic responses by governments and agri-food industries. The Agency addresses these challenges and strives to reduce risks as part of its overall planning process. Some key challenges are as follows:

Increasing globalization of trade: The volume and diversity of global trade in food, plant and animal products is increasing. For example, the approximate value of imported food, plant and animal products regulated by the CFIA increased from \$18.5 billion in 1997 to \$23.8 billion in 2001. During the same period, exports rose from \$43.3 billion to \$50 billion. While this trade has benefits for consumers and the economy,

it also increases the risk that unsafe food, foreign pests or diseases might enter Canada through shipments of imported goods. A strong regulatory system that inspects and requires certification of goods entering or leaving Canada significantly reduces these risks.

Increasing demands for CFIA services: The volume and diversity of imported products, coupled with the growth of our food industries, increase the demand for CFIA inspection and certification services. The CFIA must also continue to monitor and assess the compliance of approximately 3300 registered establishments with federal food safety legislation. Consumer expectations regarding food safety and quality are changing. For example, food labelling programs and policies must adapt to address consumers' concerns and need for information in areas such as nutrient content and methods of production (i.e., organic, grain-fed). In addressing increased demands for Agency services, the CFIA's strategic planning framework will strive to balance consumer and industry interests and allocate resources to areas of highest risk.

In February 2003, the federal government allocated an additional \$50 million, beginning in 2003–04, to the Agency's annual budget—recognizing both the increased pressures under which the CFIA is operating and the importance of Agency activities to meeting key Government of Canada priorities.

Enhancing scientific capacity: The CFIA's networks of laboratories and scientific expertise are critical to the Agency's ability to regulate and adapt to new technologies, respond to emerging pathogens and assess the risks posed by foreign animal diseases or invasive species. The CFIA relies on sound science as a basis for its program and policy development. As a result, the CFIA must continue to invest in research and technology that will support the delivery of its mandate.

Renewing our workforce: The CFIA operates in a competitive environment with respect to recruiting and retaining the right talent. Trends that impact on the Agency's human resources management strategies include changing demographics and the movement toward a knowledge-based economy. Both of these factors emphasize the need for the CFIA to focus on succession planning and training as key elements of its workforce renewal.

Tightening security and preparing for emergencies: Prevention of the inadvertent or deliberate spread of food pathogens, toxic substances, pests and diseases that could pose a threat to human health, the agricultural production base or our environment is of paramount importance to the CFIA. The Agency, in cooperation with other levels of government, must increase its level of emergency preparedness, exercise emergency plans and procedures, and have programs in place to assist Canada in recovering from emergencies.

A modernized regulatory framework: When the CFIA was created in 1997, the development of a modernized legislative base was one of its top priorities. Currently, the CFIA is responsible for 13 acts and more than 32 sets of regulations spanning the food, animal and plant continuum. To enhance the

Agency's ability to respond to current and emerging issues, the CFIA is reviewing the Agency's regulatory base and will be proposing regulatory change.

Working toward regulatory consistency: The CFIA's inspection programs are applied to hundreds of commodities across Canada. Those inspections must be delivered at a consistently high standard and in a manner that is fair to all. For example, fish inspections in Newfoundland and Labrador must be done to the same standard as inspections in British Columbia. The criteria for regulatory decision making must also be transparent and uniformly applied across the country.

To meet these objectives, in 2002–03, the CFIA embarked on a comprehensive review to develop a strategy to bring about the consistency of its program delivery. Since the review was completed at the beginning of 2003–04, the results will be provided in the Agency's 2003–04 Annual Report. The CFIA will also focus on staff training and the implementation of an agency-wide quality assurance strategy with a goal of ensuring that Canadian products conform to the same rigorous standards, regardless of where they are produced.

Building an enhanced performance management framework: Good performance measurement brings together financial and non-financial performance information to link program costs with actual or expected results. It provides managers with the information they need for sound decision making. The development and implementation of results-oriented performance management are vital aspects of good management and increased accountability—important priorities for the CFIA.

The CFIA has developed a results-oriented performance management framework outlining key activities and desired outcomes, as well as overall benefits for all Canadians. The Agency will continue to implement its performance management framework and will focus on improving data collection, management and reporting.



3.0 PERFORMANCE

3.1 HOW WE PLAN AND REPORT

As described in the CFIA's Planning, Reporting and Accountability Structure (PRAS), the Agency plans and reports along three business lines.

The following table depicts the relationship between business lines, strategic outcomes, key results and programs.

STRATEGIC OUTCOMES**KEY RESULTS****PROGRAMS****Food Safety Business Line***Safe food and fair labelling practices*

- Monitor industry compliance with federal acts, regulations and standards
- Encourage industry adoption of science-based risk management practices
- Contain food safety emergencies/incidents in a timely and appropriate manner
- Meet other governments' science-based food safety requirements and contribute to the development of jointly agreed-upon operational methods and procedures
- Deter deceptive and unfair practices

- Meat Hygiene
- Fish and Seafood
- Fresh Fruit and Vegetables
- Processed Products
- Egg
- Dairy
- Honey
- Food Safety Investigation
- Fair Labelling Practices

Animal Health Business Line*Protection of the animal health resource base as the foundation for animal health and public security*

- Control the entry and domestic spread of regulated animal diseases
- Control animal diseases that are transmissible to humans
- Meet other governments' science-based animal health requirements and contribute to the development of jointly agreed-upon methods and procedures
- Monitor compliance of livestock feeds with federal acts, regulations and standards

- Animal Health
- Feed

Plant Protection Business Line*Protection of the plant resource base and regulation of inputs*

- Control the entry and domestic spread of regulated plant diseases and pests
- Meet other governments' requirements and contribute to the development of jointly agreed-upon work plans and certification methods and procedures
- Maintain effective plant input programs that are consistent with emerging international trends and new technologies, with high standards for safety, product and process

- Plant Protection
- Seed
- Fertilizer

To achieve its objectives, the CFIA's planning process includes a multi-year Corporate Business Plan and an annual *Report on Plans and Priorities* (RPP). The *Corporate Business Plan Update* (2000–02) provided the planning framework for the 2002–03 RPP. The CFIA's Annual Report provides an account of accomplishments achieved against the specific performance expectations described in the 2002–03 RPP. In addition, the Agency is required to complete a *Departmental Performance Report* (DPR), which includes the same performance information as the Annual Report. The formulation of both the Annual Report and the DPR is consistent with the principles outlined in the Treasury Board Secretariat's *Preparation Guide: Departmental Performance Reports*.

The Agency has completed a new five-year strategic plan to cover the period 2003–08, which has formed the basis for the 2003–04 RPP and will also drive the CFIA's next Annual Report. Included in this process was the development of business line logic models, which have been included in Annex 2 to outline next year's activities and reporting.

This section is structured along the Agency's three business lines. Key results are reported by business line under each strategic outcome and provide an explanation of how the Agency's activities contribute to the well-being of Canadians; a description of the program, including the CFIA's role and its key partners; and allocated resources. The performance component contains a comparison of planned activities to performance as outlined in the 2002–03 RPP.

This section also describes the CFIA's human resources management and related key initiatives. A brief summary is also included on the progress made in 2002–03 with respect to modern management initiatives designed to promote effective service delivery, responsible spending and well-managed administration.

Finally, Section 4.0 of this report looks back on the achievements of the Agency's first five years of operation—and looks forward to its next five.

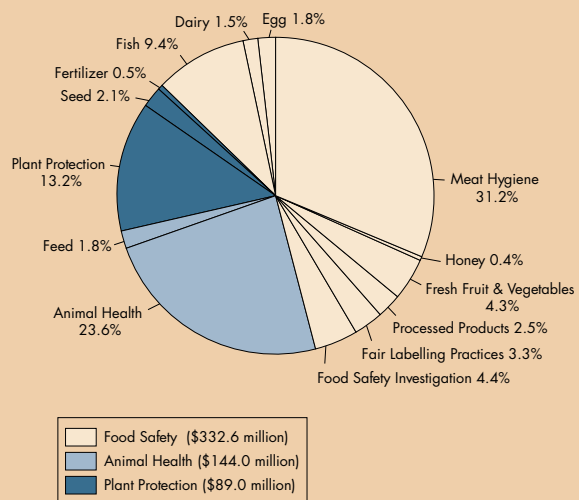
3.1.1 Business line spending

The Agency's 2002–03 total expenses by business line and program are outlined below. These figures are consistent with the results reflected in the Agency's 2002–03 audited financial statements (Section 6.0), which are based on accrual accounting principles (Generally Accepted Accounting Principles). Accordingly, these figures differ from the Agency's financial results reported on the modified cash basis of accounting as reported in Section 6.0 of the CFIA's 2002–03 *Departmental Performance Report*. The figures presented in this document for program spending and dedicated staff in each of the Agency's 14 programs were also calculated on the basis of accrual accounting.

BUSINESS LINE RESOURCES FOR 2002-03

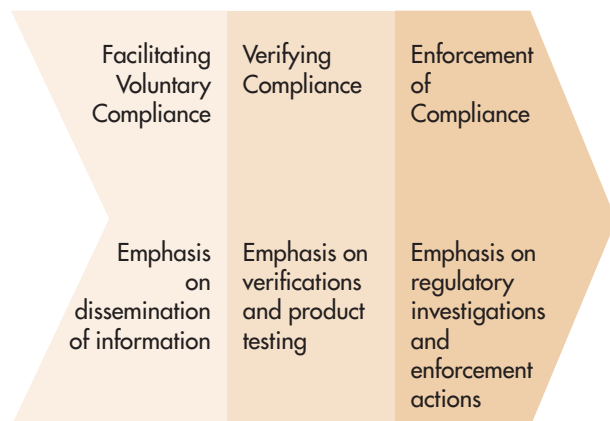
Business Line	\$ millions
Food Safety	332.6
Animal Health	144.0
Plant Protection	89.0
Total	565.6

2002-03 EXPENSES BY PROGRAM



3.1.2 Promoting compliance

As a regulatory agency, the CFIA employs a series of approaches to promote and ensure industry's compliance, including education, verification and enforcement activities. These represent a graduated approach to compliance as shown below:



To facilitate voluntary compliance, the CFIA carries out education and awareness activities to increase industry's understanding of the regulations and standards.

Assisted compliance activities focus on verifying that establishments and products are compliant with the regulatory requirements. They include activities such as registering or licensing facilities, inspecting or auditing establishments, product testing and regulatory enforcement activities.

Enforcement actions can include warning letters, and suspensions or revocations of licences.

The actions for non-compliant or unsafe products range from corrective actions, such as the application of proper labelling, to refusal of entry into or export from

Canada, to product destruction. Under the 13 federal inspection acts and respective regulations that the CFIA applies and enforces, the Agency may carry out regulatory inspections and investigations, administer monetary penalties and lay charges in the criminal courts when an offence is committed.

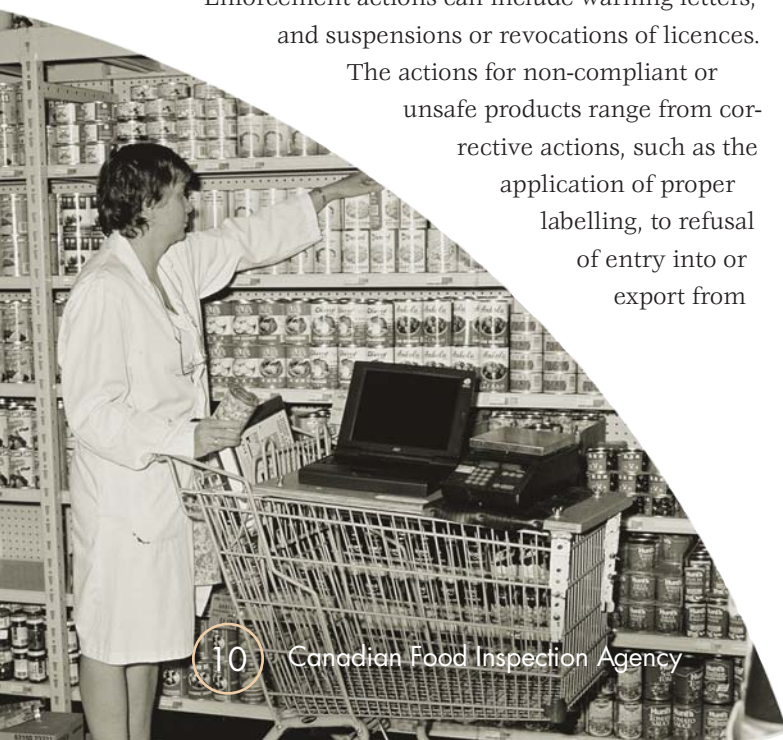
As with any regulated activity, the underlying cause of infractions ranges from ignorance of the law to deliberate disregard. Therefore, the Agency and its partners utilize this series of approaches to achieve the highest possible degree of product and establishment conformity.

Assessment of Compliance

The CFIA measures its success in delivering its mandate by assessing and verifying that Canada's registered establishments and domestic and imported products comply with federal acts and regulations. Government of Canada legislation is designed to safeguard human health and animal and plant resource bases.

Compliance rates indicate the extent to which regulated parties observe the statutes and their accompanying regulations. The CFIA uses industry compliance rates as a measure of its success in achieving its regulatory objectives. The Agency uses a group of indicators to assess compliance levels across industries and commodities. Key indicators include establishment compliance, product testing results, enforcement actions and incidents or recalls. These indicators are briefly described below.

Much like other regulatory agencies, the CFIA strives to promote 100-percent compliance with regulatory requirements. Recognizing, however, that public health and safety are of the highest priority, the Agency operates in a risk-based manner, targeting areas of low compliance and striving for year-over-year improvements.



Establishment compliance is assessed at specified points in time to facilitate establishment compliance with regulatory requirements. Areas assessed vary by program but include elements such as storage, sanitation, hygiene, equipment, manufacturing and personnel.

Product testing demonstrates the degree to which products meet legislative or regulatory requirements. Product testing is conducted, according to established sampling plans, at various points in the food continuum for domestic, imported and exported products. These plans and the type of test required vary by individual program and commodity, and are based on international standards, federal protocols and risk. They include food safety as well as non-food safety standards. Examples include testing for formulation, pesticide residues, microbial contamination, package integrity, labelling and net content.

Another key indicator of compliance is the number and type of **enforcement actions** undertaken by the CFIA. This provides trend information to highlight where the Agency has used enforcement to improve compliance.

The number and type of **food safety related incidents and recalls** provide an indication of food safety at various stages of the food continuum. Canadians can become ill from consuming unsafe food, and the CFIA acts to protect consumers from such risks. An examination of incidents and recalls can provide an additional indication of the safety of the food supply.

To obtain a clear understanding of how the Agency contributes to the safety of the food supply in Canada, the key indicators need to be examined together. The next section provides detailed discussions of each indicator.

PERFORMANCE BY BUSINESS LINE

3.2 FOOD SAFETY

Strategic Outcome:

Safe food and fair labelling practices

The CFIA's Contribution to Canadians

Food safety is the CFIA's top priority. The CFIA develops and delivers programs and services designed to protect Canadians from preventable food safety hazards, and to ensure that food safety emergencies are effectively managed and that the public is aware of, and contributes to, food safety. Primarily, this involves verifying that food producers, manufacturers, importers and distributors comply with federal food safety regulations. The CFIA also undertakes activities to verify that food imports and exports meet legislative and regulatory requirements, thereby strengthening Canada's international reputation for safe, quality products.

Key Partners

The CFIA works with others in carrying out its activities related to safe food and fair labelling practices. Our key partners include:

Other federal departments and agencies: At the federal level, Health Canada and the CFIA share unique and complementary roles and responsibilities. Health Canada is responsible for establishing food safety policies and standards, while the CFIA is responsible for all food inspection and compliance activities, as well as for developing regulations and policies related to compositional standards and labelling for food. The CFIA also works closely with Agriculture and Agri-Food Canada in support of the Government of Canada's Agricultural Policy Framework.

Provincial governments: The CFIA partners with provincial and territorial governments to share expertise and coordinate activities to facilitate compliance with both federal and provincial regulations and delivery of emergency response services (e.g., food recalls).

Non-government stakeholders: The Agency works with industry, consumer associations and individual processors to identify and address emerging food safety and labelling concerns.

International organizations and trading partners: The CFIA negotiates and manages product-specific technical arrangements with other countries with a view to seeing that food safety standards are science-based and effectively adhered to in a manner that leads to safe food and avoids unnecessarily disrupting trade. The negotiation of these technical arrangements is conducted in partnership with our federal partners.

In addition to this network of bilateral agreements, the CFIA, with Health Canada and others, promotes and develops science-based international food safety standards within the Codex Alimentarius Commission (CODEX), part of the World Health Organization (WHO) and the Food and Agriculture Organization. The CFIA, with the support of other federal partners, also represents Canada at the World Trade Organization (WTO) and North American Free Trade Agreement (NAFTA) committees on the application of sanitary and phytosanitary measures.

Description of the Programs

During 2002–03, activities under the CFIA's food safety business line were delivered at a cost of approximately \$332 million, representing 59 percent of the Agency's spending. A total of 2425 full-time employees were dedicated to this business line. The Agency delivers nine food safety programs that focus on the following strategic activities, as listed in the 2002–03 RPP:

- Compliance with federal acts, regulations and standards
- Industry adoption of science-based risk management practices

FOOD SAFETY PROGRAMS

- Meat Hygiene
- Fish, Seafood and Production
- Food Safety Investigation
- Fresh Fruit and Vegetables
- Fair Labelling Practices
- Processed Products
- Egg
- Dairy
- Honey

- Food safety emergencies/incidents are contained in a timely and appropriate manner
- Meet other governments' science-based food safety requirements and contribute to the development of jointly agreed-upon operational methods
- Deterrence of deceptive and unfair market practices

3.2.1 Compliance with federal acts, regulations and standards

In 2002–03, the CFIA continued to verify that domestic and imported food products met the requirements set out in federal acts and regulations. Each program undertook similar approaches to promote and verify industry compliance, through such activities as: establishment inspections, product testing, food safety investigations and enforcement actions. The following provides a high-level summary of performance in each of these areas. Further information on performance for each of the CFIA's nine food safety programs is available in Annex 1.

Establishment inspections: Inspections of federally registered establishments, which may include audits or verifications of industry food safety programs, were carried out in the following programs: Meat Hygiene; Fish, Seafood and Production; Processed Products; Egg; Dairy; and Honey. For each program, establishment compliance is assessed at specified points in time to ensure that establishments continue to meet regulatory requirements. Each program also uses a number of indicators to assess levels of both industry compliance (i.e., establishment ratings, facility conformity rates) and CFIA service delivery (i.e., compliance verification delivery rates). Where an individual establishment is determined to be out of compliance, the CFIA takes action as prescribed in

each program in order that the establishment initiates corrective action. The Agency may also take additional measures such as increasing the number of inspections, or suspending or revoking licences.

The following table summarizes the available data concerning establishment compliance in the various food safety programs. Nationally tabulated rates of establishment compliance are not currently available for all food safety programs. The Agency has recognized this as an area that requires improvement. Nevertheless, available compliance rates, while not fully validated, suggest reasonably high compliance ranging from 90 to 99 percent.

Program	Type of Establishment	Inspection Approach	Compliance Rate	Comparison to Previous Years'
Meat Hygiene	Slaughter	Establishment ratings	90% *	Not available
Meat Hygiene	Meat processing	Food Safety Enhancement Program (FSEP)	99% **	Not available
Fish, Seafood and Production	Fish and seafood processing	Quality Management Program (QMP)	98% **	Not available
Processed Products	Fruit and vegetable processing	In-depth establishment inspections	95%	Slight decrease from three-year average of 96%
Processed Products	Maple processing	In-depth establishment inspections	96%	Decrease from last year's rate of 99%
Honey	Honey packing and pasteurizing	In-depth establishment inspections	99%	Same as last year's rate

* Based on a sample of 516 of 790 establishments for fiscal year 2002-03

** Based on data collected from the CFIA's Performance Management Framework pilots

In 2002–03, the CFIA continued its efforts to improve the quality of performance information through developing an Agency-wide Performance Management Framework. In the Meat Hygiene and Fish, Seafood and Production programs, pilots were conducted that allowed for the collection of key data against identified performance indicators for the period from January to March 2003. While the ability to draw conclusions is limited due to the short timeframe, the pilots allowed the programs to validate performance indicators, set targets and conduct preliminary analysis of performance.

Product testing: In 2002–03, the CFIA tested thousands of imported and domestic food samples for the presence of chemical, microbiological and physical hazards. Product sampling and testing was conducted for all of the nine food safety programs, both according to established, risk-based sampling plans and in support of food safety investigations or recalls.

Product testing is an area where the CFIA has identified problems in some programs with respect to the availability of national summary data. While laboratory test results are always provided to the inspector who submitted the sample, and enforcement actions are taken if required, work continues on improving the CFIA's Laboratory Sample Tracking System so that results may be tabulated and analysed on a national basis. For this report, efforts were made to manually collate some of the required information.

While these product compliance rates may not be statistically reliable, they can indicate trends and highlight areas of non-compliance.

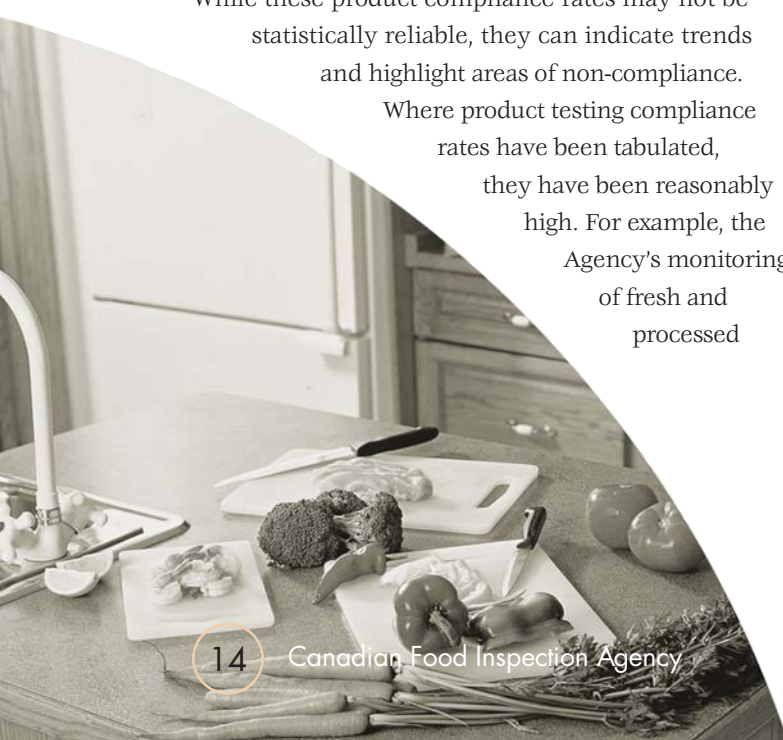
Where product testing compliance rates have been tabulated, they have been reasonably high. For example, the Agency's monitoring of fresh and processed

fruit and vegetables for residues of pesticides in excess of limits established by Health Canada continues to exceed 99-percent compliance. Similarly, the Agency's monitoring of antibiotics, veterinary drugs and other chemical residues in meat exceeded 96-percent compliance in all categories. Some examples of areas of low compliance that the Agency is addressing include aflatoxin levels in imported nuts, non-approved food-colouring agents in imported food, iodine addition to table salt, patulin levels in apple juice and chloramphenicol in imported honey.

Food safety investigations: In addition to inspecting products that are produced in federally registered establishments, the CFIA enforces the food safety provisions of the *Food and Drugs Act*, which includes inspections, investigations and emergency management activities (i.e., food recalls) for all domestically produced and imported foods. The CFIA investigates consumer and trade complaints and, through its science committees, directs inspection resources towards products and establishments that are determined to pose the greatest risk to consumers.

During 2002–03, the CFIA developed or continued 14 food safety projects (out of 19 projects proposed for potential delivery in 2002–03). These projects included activities such as product testing, establishment inspections or industry education. Projects also involved the development of lists of manufacturers, importers or distributors of certain commodities, to be used for future inspections and sampling.

The delivery of these priority projects in 2002–03 allowed the CFIA to investigate potentially high-risk products or establishments and, where non-compliance was identified, to undertake appropriate follow-up actions. For example, establishment inspections and testing of bottled water samples for microbial contamination demonstrated that good manufacturing practices are being followed and that there is a high level of level of product compliance. Similarly, an assessment of the Canadian sprout industry found improvements in the level of industry compliance over previous years. A survey of imported nuts and peanut butter for aflatoxin (a toxin produced by



mould) indicated a moderate level of non-compliance, and as a result this project will continue in 2003-04. A survey of iodine addition to table salt found a high level of non-compliance which the CFIA is working with Health Canada to address.

More complete information on the 14 food safety investigation projects conducted during 2002-03 is available in Annex 1.

Enforcement actions: In 2002-03, the CFIA conducted 347 active investigations under the *Canada Agricultural Products Act*, the *Consumer Packaging and Labelling Act*, the *Fish Inspection Act*, the *Food and Drugs Act* and the *Meat Inspection Act*. From these investigations, 86 prosecutions were initiated resulting in a total of 93 convictions for offences such as selling a product that was labelled in a false, misleading or deceptive manner; importing undeclared food; or moving a detained product without proper authority. Fines assessed by the courts for these convictions totalled \$212 300. The CFIA provides a complete listing of prosecution bulletins, issued whenever convictions are obtained, on its Web site at:

<http://www.inspection.gc.ca/english/corpaffr/projud/projude.shtml>

In support of its ongoing regulatory activities, and to address the challenges and risks outlined in the CFIA's 2002-03 RPP, the CFIA also fulfilled the following commitments:

- New inspection procedures were developed for nutrition labelling evaluation and enforcement in support of Health Canada's amendments of the *Food and Drug Regulations* on nutrition labelling, nutrient content claims and health claims.
- CFIA science committees identified and prioritized potential hazards in the food supply and directed inspection resources to those areas determined to be of highest risk.
- Redesign of food safety programs took place in 2002-03. These initiatives are primarily associated with the CFIA's ongoing efforts to redesign inspection programs to effectively

assess industry's Hazard Analysis and Critical Control Point (HACCP) and quality management programs (see below).

- The CFIA assisted Health Canada in its assessment of the Agency's activities related to domestic, ready-to-eat meat products. Health Canada's assessment report and the CFIA's management response were finalized and published on Health Canada's Web site in April 2003.

http://www.hc-sc.gc.ca/food-aliment/fsa-esa/report_cfia/e_report_cfia.html

3.2.2 Industry adoption of science-based risk management practices

The Agency is actively promoting the use of Hazard Analysis and Critical Control Point (HACCP) principles in the meat, fish, processed products, egg, dairy and honey industries and on farms. These science-based principles are internationally recognized as the best means to prevent food safety problems, be they biological, physical or chemical. In HACCP-based systems, the CFIA and industry's primary goal is to identify and control hazards in the food production process and to prevent problems by monitoring these "critical points." Currently, HACCP-based programs are voluntary except for fish—HACCP is mandatory for federally registered fish processing establishments. In addition, the Meat Hygiene program is currently in transition to a mandatory HACCP-based audit approach.

The following table demonstrates the progress made by the CFIA in promoting industry's adoption of science-based risk management practices. Given that the adoption of HACCP-based systems remains voluntary for the majority of federally registered facilities, progress is dependent upon the regulated industries' willingness to adopt these approaches. Progress is also dependent on the CFIA's capacity to recognize and approve industry's HACCP-based systems. As the CFIA moves toward the implementation of mandatory HACCP-based systems, work will be required in the development of more robust and comprehensive performance targets and indicators.

Program	CFIA Inspection Approach	Federally Registered Facilities	Total # with HACCP Recognition	# to Gain Recognition in 2002-03	# in Process of Gaining Recognition
Meat Hygiene (Meat)	Food Safety Enhancement Program (FSEP) (voluntary)	790 total (127 slaughter, 490 processing and 173 storage facilities)	363	30	261
Meat Hygiene (Poultry)	Modern Poultry Inspection Program (MPIP) (voluntary)	59	12	1	6
Fish and Seafood (Domestic)	Quality Management Program (QMP) (mandatory)	945	945	Not Applicable (N/A)	N/A
Fish and Seafood (Imports)	Quality Management Program for Importers (QMPi) (voluntary)	1012 registered importers	18*	2	0
Processed Products	FSEP (voluntary)	572	38	7	41
Egg	FSEP (voluntary)	342 shell egg, 19 processed egg facilities	11 shell egg, 3 processed egg facilities	1 shell egg, 3 processed egg facilities	14 egg grading, 6 processed egg facilities
Dairy	FSEP (voluntary)	292	47	10	82

**These 18 establishments import approximately 30% of all fish and seafood*

As part of the Government of Canada's Agriculture Policy Framework initiative, the CFIA is working with Agriculture and Agri-Food Canada, provincial governments and national producer organizations to develop and implement a recognition process for industry-developed on-farm food safety programs. With the participation of the provinces and territories, the CFIA leads the process of assessing the technical soundness of on-farm food safety programs.

In 2002-03, the CFIA successfully completed an on-farm food safety technical review pilot project,

which led to the initiation of reviews of on-farm food safety programs for dairy, eggs and animal feed. To formally launch the recognition process, the CFIA hosted a national training and orientation session for on-farm food safety with representation from producer organizations and federal, provincial and territorial governments. In addition, the CFIA formed a joint committee with the Standards Council of Canada to develop criteria for third-party services as part of Phase Two (implementation and third-party audit) of the On-Farm Food Safety Recognition Program.

In response to the specific challenges and risks outlined in the 2002–03 RPP, the CFIA continued to provide scientific and technical support to industry initiatives to move toward HACCP-based programs. In keeping with this transition, the CFIA also carried out initiatives to redesign Agency inspection programs. For example:

- The CFIA introduced the *Meat Inspection Reform Strategy* to guide industry to the mandatory HACCP implementation in all federally registered meat and poultry establishments. This initiative includes livestock traceability as an element of food safety and promotes greater industry accountability.
- The Agency issued a Meat Hygiene Directive requiring all federally inspected plants processing raw beef products to strengthen their HACCP plans and scientifically validate them so that the bacterial pathogen *E. coli O157:H7* is reduced to below-detectable levels.
- Enhancements were made to planning and delivering the CFIA's Quality Management Program for fish through the introduction of revised methods of compliance verification.
- At the request of the fresh fruit and vegetables industry, the Agency piloted a Canadian Partners in Quality (C-PIQ) Program, which began in 2001, with the objective of simplifying the export certification process for potatoes exported to the United States. Facilities registered under the program are audited by the CFIA using audit principles similar to those used in HACCP and ISO quality control systems. In 2003, the U.S. Department of Agriculture (USDA) accepted the C-PIQ Program as an alternative for certification of Canadian potatoes. In the future, the Agency will aim toward expanding the program to include onions and field tomatoes, and at achieving acceptance from the USDA for these commodities.

3.2.3 Food safety emergencies/ incidents are contained in a timely and appropriate manner

One of the CFIA's top priorities is to protect Canadians from preventable health risks such as those associated with unsafe food. Risks to consumers may include allergens not declared on food labels, microbiological pathogens, extraneous materials or chemical contaminants. Under the provisions of the *Canadian Food Inspection Agency Act* and the *Food and Drugs Act*, the CFIA coordinates food safety recalls. Most food safety recalls are conducted with voluntary participation of the responsible manufacturer, food processor or distributor.

A Class I recall is a situation in which there is a reasonable probability that use of, or exposure to, a violative product will cause serious adverse health consequences or death.

When the CFIA learns of a potential food safety issue, an investigation is launched to determine whether the product poses a risk. Where a health risk is confirmed and a distributed product is in violation of legislation enforced by the CFIA, the issue is recorded as an incident.

During the 2002–03 fiscal year, the CFIA co-ordinated 4961 food safety, labelling and fraud investigations, which resulted in 381 recalls. CFIA and Health Canada specialists provided health risk assessments. CFIA staff also monitored food safety issues and recalls in other countries to identify issues that could affect the Canadian food supply.

The CFIA met its established standard on response timeliness by issuing all Class I recall media releases within 24 hours of a recall decision being made. Most (77 percent) media releases were issued less than eight hours after a recall decision. CFIA staff monitored a food safety emergency line and responded to food safety emergencies 24 hours a day, seven days a week. The CFIA coordinated 381 recalls in 2002–03 for reasons shown in the following table.

Cause of Recalls	
Undeclared Allergen	41.5%
Chemical Contamination	23.4%
Microbiological Contamination	20.5%
Extraneous Material	10.0%
Other*	4.7%*

* Includes marine biotoxins, product misrepresentation and non-permitted ingredients.

The CFIA analysed statistical data for trends and determined that, of the 381 recalls last year, 202 (53 percent) were for imported products and 179 (47 percent) were for domestically manufactured products. Undeclared allergens, primarily sulphites, continued to be the leading cause of recalls. Many of these recalls were associated with processed fruit products imported from Syria. As a result, the CFIA introduced a targeted sampling and testing program for Syrian jams and other imported processed fruit products. Follow-up activities were conducted at Canadian import establishments to ensure similar products met regulatory requirements. Jams, marmalades and fruit preserves (conserves) from Lebanon, Iran and Pakistan were also sampled and tested for sulphite residues.

The leading causes of recalls for microbiological contamination were *Salmonella*, *Listeria* and *E.coli 0157:H7*. *Listeria* was found in various ready-to-eat meat and dairy products, such as frankfurters and cheese. *Salmonella* was found in assorted foods, such as sausage and spices, and *E. coli 0157:H7* was primarily found in burgers, ground beef and some cheese products.

The Agency also reviews recall trends in various commodity groups. In 2002–03, the distribution of recalls across commodities was as follows:

RECALLS BY COMMODITY	
Commodity	Percentage of Total
Confectionary and Nuts	24.1
Processed Fruits and Vegetables	19.2
Grain and Bakery Products	12.1
Meat and Poultry	9.7
Marine Products	7.1
Honey	7.1
Dairy	4.2
Beverages	3.9
Other (soups, salads, infant foods, fats)	3.9
Maple	3.7
Spices	3.4
Fresh Fruit and Vegetables	1.3
Egg and Egg Products	0.3

In 2002–03, the number of food safety, labelling and fraud investigations increased from 4462 to 4961, while the number of recalls decreased from 474 to 381 compared with 2001–02. Since 1999, the CFIA has developed the ability to track and identify trends in food recall. Targeting repeat offenders and follow-up investigations on recalls have proven to be effective tools for managing food safety risks. The following table shows the number of food safety, labelling and fraud investigations and resulting recalls for the past three years.

FOOD SAFETY INVESTIGATIONS AND RECALLS 2000–03

Year	Number of Investigations	Recalls
2002–03	4961	381
2001–02	4462	474
2000–01	3889	370

The CFIA conducted more than 16 000 recall effectiveness checks in 2002–03 to verify whether recalled products had been removed from the marketplace.

To further enhance collaboration among levels of government during foodborne illness outbreaks, the CFIA and Health Canada revised and updated a national *Foodborne Illness Outbreak Response Protocol*. The protocol provides operating procedures for coordination of activities among federal, provincial and territorial agencies during investigation and control of foodborne illness outbreaks. The revised protocol is expected to be implemented following further consultations with the provinces and territories.

Specific initiatives undertaken in 2002–03 to improve the Agency's overall emergency management procedures are addressed in Section 3.5.4.

The CFIA works with federal, provincial and municipal public health authorities to investigate and control foodborne illness outbreaks. On May 17, 2002, 21 human cases of Shigellosis were reported to the CFIA by public health units in Ontario. The initial outbreak investigation carried out by the Ottawa and Toronto Public Health Units linked the source of infection to the consumption of pasta salad. Through timely and effective collaboration amongst the CFIA, public health units, the Ontario Ministry of Health and Long-Term Care, Health Canada and the manufacturer, the outbreak was handled in an expeditious manner. Within eight hours of notification, the CFIA issued a health hazard alert that warned the public not to consume the implicated products, and the manufacturer had initiated a recall. The outbreak was thought to be linked to a total of 740 reported cases of Shigellosis and was the largest foodborne illness outbreak in Canada since 1998.

REACHING OUT: TEACHING THE ABC'S OF FOOD SAFETY

One of the CFIA's key responsibilities is to inform the public of issues that may affect its health. Last year the CFIA launched a food safety outreach campaign designed to disseminate food safety messages to a nation-wide audience.

In March 2003, the CFIA distributed information packages promoting food safety tips and the CFIA's Food Recall/Allergy Alert e-mail subscription service to approximately 17 000 elementary and secondary schools across Canada. Jointly funded by the CFIA and Agriculture and Agri-Food Canada, the school outreach campaign was officially launched by Minister Lyle Vanclief. The outreach program is supported by a new Web page featuring a link to the CFIA Food Recall/Allergy Alert subscription page (see below), key outreach initiative documents and a variety of other relevant food safety information. A follow-up phone survey conducted by Decima Inc. indicated that most schools found the outreach kit useful, primarily because it contains relevant information, raises awareness and is a good resource for teachers and staff.

The school outreach program is only the first phase of the Agency's overall outreach strategy, which includes plans to reach out to health professionals, organizations, libraries, and community and consumer groups.

<http://www.inspection.gc.ca/english/corpaffr/recarapp/recaltoce.shtml>

3.2.4 Meet other governments' science-based food safety requirements, and contribute to the development of jointly agreed-upon operational methods and procedures

Meeting other governments' science-based food safety requirements

The CFIA's performance in meeting the requirements of other governments may be assessed by indicators such as export rejection rates. While rejection rates for exports are not currently available for all commodities, this indicator has been incorporated into the CFIA's Performance Management Framework pilots for meat and fish. The available data indicates low rejection rates for meat and fish and seafood products, and improvements in the rejection rates for dairy products as industry adapts to new dairy export procedures.

In 2002–03, Canada exported approximately 1.8 million tonnes of meat and meat products to 116 countries. Of this total, 99.96 percent met other governments' food safety requirements as measured by rates of entry. This high acceptance rate demonstrates a high level of confidence, both in Canada's regulatory system and in the safety and quality of Canadian meat and meat products.

With respect to fish and seafood products, the CFIA issued over 42 000 export certificates to 110 countries. As part of the Agency's Performance Management Framework pilot, the number of export incidents (e.g., product rejections) of fish and seafood products are being tabulated. From January to March 2003, a total of 23 incidents were reviewed and only one lot was found to have been rejected for food safety reasons and to have originated from a federally registered facility. The majority of incidents involved products from non-federally registered facilities.

Canadian dairy products are also exported to many countries worldwide. The CFIA conducts export verifications of domestic dairy products submitted for export product certification. Of 193 export verifications conducted in 2002–03, only 16 lots of dairy products were found to be non-compliant.

This represents a compliance rate of 91.7 percent, and it also represents a significant improvement over the rate of 76 percent noted when new dairy export procedures were implemented in 2000–01.

Contributing to the development of jointly agreed-upon operational methods and procedures

In 2002–03, the CFIA continued to co-lead, with Health Canada, Canada's participation in CODEX (the international organization for developing food standards, guidelines and related texts). In this role, the CFIA contributed to the development of the following:

- Proposed Code of Practice for Fish and Fishery Products;
- Draft Code of Hygienic Practice for Meat; and
- Code of Hygienic Practice for Eggs and Egg Products.

The Agency also continued to enhance foreign governments' and industries' awareness and knowledge of Canadian import requirements and Canadian exporters' knowledge of foreign governments' requirements. For example, in 2002–03, the CFIA worked with teams of inspectors from the United States and Russia who visited Canada to assess selected Canadian meat establishments. The CFIA also reviewed the meat inspection systems of 29 U.S. establishments as part of an information exchange exercise to inform the U.S. government and establishments of Canadian import requirements. Similarly, the CFIA inspected Indonesian systems and controls for fish and seafood products and, subsequently, approved these products for import into Canada.

3.2.5 Deterrence of deceptive and unfair market practices

The CFIA deters deceptive practices by investigating consumer and trade complaints, and by using education, inspection, product testing and enforcement to encourage compliance. The Agency also establishes and delivers priority projects in areas that are

deemed to be high risk. Initiatives undertaken by the CFIA in 2002–03 to protect consumers from unfair market practices included projects to enhance compliance in areas such as the adulteration of ground beef, labelling of sports nutrition products and adulteration of olive oil. Annex 1 provides complete details concerning the results of the CFIA's activities in these areas.

In support of its ongoing regulatory activities, and to address the challenges and risks that were outlined in the CFIA's 2002–03 RPP, the CFIA also fulfilled the following commitments:

- Contributed to the development of Health Canada's proposed amendments to the *Food and Drug Regulations* on nutrition labelling, nutrient content claims and health claims, pre-packaged water and ice, enhanced allergen labelling, labelling as a public health tool, natural health products, vitamin and mineral fortification, and the labelling of foods treated by ionizing radiation.
- Provided guidance to stakeholders on requirements of the amended regulations.
- Participated on CODEX committees dealing with food composition and labelling issues related to fruit and vegetable juices, fats and oils, sugars and honey, processed fruits and vegetables, and the labelling of foods treated by ionizing radiation.
- Developed new inspection procedures and enforcement policies in support of Canada's new nutrition labelling regulations.
- Developed new training materials in the areas of nutrition labelling, nutrient content claims and health claims, nutrient fortification and net quantity.
- Worked with the Canadian General Standards Board to contribute to the development of voluntary standards for organic agriculture and labelling of foods derived from biotechnology.

3.3 ANIMAL HEALTH

Strategic Outcome:

Protection of the animal health resource base as the foundation for animal health and public security

The CFIA's Contribution to Canadians

The protection of Canada's animal resource base is integral to maintaining food safety, public health, and national and international confidence in Canadian agriculture and agri-food products. The animal resource base must be protected from serious diseases and chemical and microbial contamination. Canada's freedom from certain serious diseases facilitates the successful international marketing of Canadian animals, animal products and by-products, and livestock feeds.

The animal livestock sector contributes approximately \$13.4 billion to the Canadian economy annually. Meat and meat products represent the largest portion of Canada's food-manufacturing industry. This sector depends on an inventory of healthy farm animals that includes some 13.7 million cattle, 14.4 million swine and almost one million sheep. More than one million tonnes of chickens and turkeys are processed in Canada each year.¹

Key Partners

The CFIA works with others to protect the animal resource base. Our key partners include:

Other federal departments and agencies: The CFIA works in close collaboration with other federal government partners to share expert advice, develop regulatory policies and set standards, and foster cooperation in research.

Provincial governments: At the provincial level, the CFIA works with the ministries of agriculture, fisheries and the environment. Activities undertaken with these partners mirror those undertaken with federal departments and agencies.

Non-government stakeholders: The CFIA works in partnership with national agri-food producers and others in the review, development and implementation of animal health policies and programs. A key mechanism for this work is the Canadian Animal Health Consultative Committee (CAHCC). The Agency also works with commodity associations and a number of other associations, including those representing animal welfare and environmental interests.

Research institutions: The CFIA collaborates with Canada's academic veterinary institutions to identify strategic directions in scientific research and to develop a national curriculum that reflects current and future needs in science and veterinary regulatory medicine.

International organizations and trading partners: The CFIA works with a number of international organizations and committees in an effort to influence the development of international science-based animal health regulation, collaborate on the development of regulatory policy objectives and strategies, and discuss common concerns. Key committees and organizations include the Animal Health Quadrilateral Group (Canada, United States, New Zealand and Australia), the North American Animal Health Committee (Canada, United States, Mexico), the Office International des Épizooties and its special committees, and the WTO and NAFTA committees on the application of sanitary and phytosanitary measures. The CFIA also works on a bilateral basis with other national governments on issues related to animal health standards and requirements.

Description of the Programs

During 2002–03, programs and activities under the **Animal Health Program** were delivered at a cost of approximately \$133.7 million representing 23.6 per cent of the CFIA's spending. A total of 674 full-time employees were dedicated to this program area. Two programs are delivered under the Animal Health business line: animal health and livestock feed.

¹ All numbers in this paragraph are from 2001–02 data.

ANIMAL HEALTH AND PRODUCTION PROGRAMS

- Animal Health
- Feed

The Agency delivers the Animal Health Program under the authority of the *Health of Animals Act*. The CFIA monitors, tests, inspects and quarantines so that regulated animal diseases are prevented, controlled or eradicated. The program regulates production inputs such as animal vaccines. It also provides for the humane transportation of animals.

The **Feed Program** was delivered at a cost of approximately \$10.2 million representing 1.8 percent of the CFIA's spending and a total of 74 full-time employees. The Agency delivers the Feed Program under the authority of the *Feeds Act*. The program protects livestock from chemical contamination and microbial hazards through the regulation of livestock feed ingredients.

Both programs focused on strategic activities listed in the 2002–03 RPP:

- Control the entry and domestic spread of regulated animal diseases.
- Control animal diseases that are transmissible to humans.
- Meet other governments' science-based animal health requirements, and contribute to the development of jointly agreed-upon operational methods and procedures.
- Enhance compliance of livestock feeds with federal acts, regulations, and standards.

Enforcement:

Under the authority of the *Health of Animals Act* and the *Feeds Act*, 287 cases of non-compliance were investigated last year resulting in 27 prosecutions and 20 convictions. The total value of the fines assessed by the courts was \$57 150. Convictions pertained to violations such as inhumane transportation of animals, failure to present high-risk products for inspection and sale of feed with undeclared ingredients.

Canada is part of the worldwide effort to control livestock diseases and belongs to the 164-member Office International des Épizooties (OIE), the organization for animal health standards that forms the basis for trade policy. The CFIA's Reportable Diseases Regulations include all OIE List A diseases, which have high potential to cause serious public health problems, and OIE List B diseases of concern to Canada.² Regulations require that any occurrences of listed diseases be reported. Canada's reportable diseases list is on the CFIA Web site at:

<http://www.inspection.gc.ca/english/reg/regce.shtml>

EXAMPLES OF OIE LIST A AND LIST B DISEASES*

List A	List B
Bluetongue	Anthrax
Classical swine fever	Bovine spongiform encephalopathy
Foot-and-mouth disease	Bovine tuberculosis
Highly pathogenic avian influenza	Rabies
Newcastle disease	Scrapie

* For a complete list, see: www.oie.int

² Canada's climate precludes the presence of some OIE List B diseases, which have never been reported here.

The CFIA amended regulations in 2002–03 to establish two more lists of diseases that require laboratories to notify the CFIA of suspicious or positive results. These regulations enable the CFIA to gather information for public health purposes, such as surveillance information regarding West Nile virus, and to meet international obligations for animal disease surveillance.

3.3.1 Control the entry and domestic spread of regulated animal diseases

To accomplish this key result, the entry of all imported animals, imported animal products and by-products, and veterinary biologics at Canada's 121 international border points (9 international airports and 112 Canada-U.S. crossings) is controlled by the CFIA through verification processes, including inspection, to enforce import conditions. The CFIA also undertakes activities to increase public and industry awareness of animal health issues.

Education/Awareness

Public interest in animal illnesses grew in 2002–03 with media coverage of the spread of West Nile virus and Canada's single finding of bovine spongiform encephalopathy (BSE). The CFIA continued to respond to thousands of public, industry and media inquiries, and to publish fact sheets and information brochures regarding animal health control measures. The CFIA strives to achieve higher compliance levels by providing information to target groups. For example, in 2002–03, the CFIA published and distributed

a brochure to livestock producers aimed at achieving higher compliance with the CFIA's feed ban. This ban prohibits the feeding of certain materials to ruminants to prevent the spread of diseases such as BSE. The CFIA also published fact sheets and

provided information updates regarding the CFIA's control measures for animal diseases such as chronic wasting disease in deer and elk and bovine tuberculosis in wild animals.

The CFIA's measures to protect Canada's animal health status also include measures to control the importation or entry of pets into Canada. In response to thousands of inquiries each year concerning pet imports, importation guidelines were developed. The CFIA published in 2002–03 basic guidelines for frequently imported pets. The above-noted documents are all available on the CFIA's Web site at:

<http://www.inspection.gc.ca>

Import Controls

Importing animals and animal products may increase the risk of diseases entering Canada. CFIA border inspections target high-risk animals in which there may be visible signs of disease. Conditions for entry of higher-risk shipments include permits, pre-entry and post-entry testing, quarantines and export certification. Animals that are not in compliance with import requirements or that pose a threat to Canada's animal health status are refused entry or may be ordered destroyed. Most live animals from countries other than the United States require 30-day quarantines, enforced by CFIA staff.

In 2002–03, the CFIA, assisted by the Canada Customs and Revenue Agency, effectively controlled the entry of more than 24 million farm animals (cattle, horses, bison, goats, swine, sheep and poultry) and 283 762 doses of livestock semen and embryos. Of farm animals imported in 2002, 269 552 were quarantined.

In 2002–03, compliance with import conditions was very good, with only 10 476 animals and 3166 doses of semen being rejected. Rejection of animals was significantly higher than the 2001–02 figure of 764; however, this is attributed to a single rejected load of imported poultry that consisted of approximately 10 000 animals. The rejection rate for imported semen was consistent with previous years.

As an additional measure to control the entry and domestic spread of regulated animal diseases, the CFIA negotiates with exporting countries to design science-based import conditions. To support these negotiations, the CFIA conducts risk evaluations of both the commodity and the disease status of the exporting country. In 2002–03, import risk analyses were conducted for deboned beef, cheeses, milk proteins and enzymes, in vitro fertilized embryos, honeybees, zoo animals and horses. Evaluations of the disease status of countries included foot-and-mouth disease in Uruguay, bovine tuberculosis in Australia and Hawaii, and Newcastle disease in Denmark and the United States.

The CFIA revises import conditions when a country's disease status changes or when advances in science affect policies. For example, in 2002–03, Canada reinstated trade with the United Kingdom, France and the Netherlands after trade restrictions were imposed in 2001 due to foot-and-mouth disease. Canada also suspended trade in poultry and poultry products with several U.S. states following a U.S. outbreak of Newcastle disease.

Disease Control Programs

Disease control programs are designed to prevent or mitigate effects of widespread disease outbreaks. Disease eradication is the principle goal. To encourage early reporting by providing a financial incentive to producers, the CFIA also administers a compensation program under the authority of the *Health of Animals Act*. In response to specific animal disease outbreaks, the following initiatives were undertaken in 2002–03.

Bovine spongiform encephalopathy (BSE):

Surveillance for BSE and other transmissible spongiform encephalopathies (TSEs), such as chronic wasting disease in cervids (the deer family) or scrapie in sheep, is a CFIA priority. The BSE surveillance program, implemented in 1992, targets

specific animal populations such as downer animals at slaughter and dead stock. In 2002, 3377 animals were tested for BSE, more than double the 1581 animals tested in 2001 and more than double the standard set by the OIE. Provincial laboratories were responsible for much of the testing conducted in response to the CFIA's request to expand the surveillance program.

A single case of BSE was discovered in a cow in Alberta in May 2003. Although this incident occurred after the 2002–03 timeframe, its significance merited inclusion in this report. The single animal was condemned at slaughter and was never permitted for human consumption. In conducting its follow-up investigation, the CFIA destroyed over 2700 animals for testing. No additional cases appeared in the test results.

In June 2003, an international team of experts praised the thoroughness and quality of the CFIA's BSE investigation and identified additional measures that could be undertaken to further protect the public. In July 2003, the *Food and Drug Regulations* and the *Health of Animals Regulations* were amended to prevent specified risk materials (SRM)³ from entering the human food supply. The regulations came into force one month later, except in federally registered establishments where they became effective immediately through a CFIA directive. Further policy enhancements, including those concerning traceability in animals and animal products, are underway. Consultations with the provinces, territories, industry and Canada's trading partners continue regarding BSE surveillance and the review of controls to strengthen the animal feed ban regulations. In September 2003, a BSE Working Group was established to consolidate and coordinate all ongoing CFIA activities related to BSE. The CFIA plans to report more fully in its 2003–2004 Annual Report on the Agency's performance in this area.

³ In Canada, the following tissues are defined in regulation as SRM: skull, brain, trigeminal ganglia (clusters of nerve cells connected to the brain and closely apposed to the exterior of the skull), eyes, tonsils, spinal cord, and dorsal root ganglia (clusters of nerve cells connected to the spinal cord and closely apposed to the vertebral column) of cattle aged 30 months or older, and the distal ileum (part of the small intestine) of cattle of all ages. Specified risk materials, with the exception of the skull, are tissues that, in BSE-infected cattle, have been shown to contain the infective agent and transmit the disease.

INVESTMENT IN EMERGENCY PLANNING PAYS OFF FOR THE CFIA

On Friday, May 16, 2003, when provincial laboratory scientists in Alberta suspected they might have a positive test result for BSE, they immediately alerted the CFIA. Their suspicions were confirmed by Sunday: the National Centre for Foreign Animal Diseases in Winnipeg had found a positive case of mad cow disease in a single cow.

"It's a sinking feeling," said Peter Brackenridge, Vice-President of Operations for the CFIA, recalling the early days of the CFIA's biggest emergency since the Agency's inception in 1997.

The Agency kicked into action. A Department of National Defence aircraft flew a sample to the World Reference Laboratory in Weymouth, England, for an absolute confirmation. A news release was drafted, a press conference was organized and, by Tuesday, Agriculture and Agri-Food Minister Lyle Vanclief was telling the world about the positive BSE finding. Meanwhile, CFIA President Richard Fadden had already put the Agency in Ottawa and across Canada to work on an investigation: CFIA staff were to locate where the infected cow came from, find out if other cows might have the disease, and keep the office of Minister Vanclief, the public, the media and Canada's trading partners informed.

"We had lots of people working 16, 17, 18 hours a day. In a four-week stretch, I had two days off, and I wasn't the only one," says Philip Amundson, Executive Director of Operations for the Western Area, where the emergency would eventually play out across western provinces and extensively involve provincial governments and industry.

In carrying out the investigation, nearly 3000 cattle had to be sampled and tested. CFIA staff, mostly based in Moose Jaw, worked around the clock in temperatures approaching 30 degrees Celsius to slaughter the animals and take samples for analysis. Amundson said the industry was very cooperative, including eight farmers whose herds were taken away and three feed lots that had over 300 cattle removed.

"Despite how they felt and what the whole process was doing to them, they were so complimentary to our staff," he says.

Back in Ottawa, CFIA staff were also working around-the-clock coordinating and overseeing the response to the crisis. The switchboard was staffed to run 24 hours a day to facilitate communication between CFIA employees and to answer questions from the public.

Scarcely one month before, the CFIA had reopened its modernized National Emergency Operations Centre in its Ottawa head office. With a state-of-the-art facility, staff now had a central place to work and deal with the myriad details and problems that emerged daily, and even hourly, in the first days and weeks.

"The centre was invaluable. It really paid for itself in the crisis," Brackenridge says. "We always talk about an integrated approach to managing issues in the Agency, and in crisis situations we always seem to come through. It was really impressive to watch. Everybody was pitching in."

Dr. Brian Evans, Executive Director of the Animal Products Directorate, says the decision to modernize the emergency centre is but an example of the CFIA's philosophy of continual improvement. "Commitment to learning and continual improvement positioned the CFIA to deal with this," says Dr. Evans. "The investments we have made in last three to four years in emergency preparedness and response have paid off."

Coincidentally, at the moment the BSE finding was made, Dr. Evans was in Paris at meetings of the Office International des Épizooties as Canada's Chief Veterinary Officer and delegate to the 164-member world animal health body. There he kept countries and the world media informed of the BSE situation before returning to Canada to help to deal with the crisis.

Dr. Evans says he isn't eager for a repeat of the BSE crisis but warns that in the current threat environment and with globalization, which is helping diseases to travel around the world, it may happen again. He says there is a positive side to the BSE emergency.

"It demonstrated to Canadians the critical role the CFIA plays as part of Canada's public health and public security team. There was an upside but it comes at a significant price. I hope it doesn't repeat itself in the near future, but we have been recognized nationally and internationally for our competency, capacity and preparedness to deal with it."

Chronic wasting disease (CWD): CWD is a progressive, fatal disease of the nervous system of deer and elk for which there is no known treatment or vaccine. The CFIA's national disease eradication program for CWD involves the cooperation of federal and provincial governments, the cervid industry, veterinary colleges and veterinarians. From an initial outbreak in 2000 until March 31, 2003, the CFIA destroyed 42 CWD-infected herds, including 40 elk herds in Saskatchewan and one elk herd and one deer herd in Alberta. Of approximately 8500 cervids destroyed from infected herds, 232 animals tested positive for CWD and 24 showed signs of the disease. Of the 651 farmed cervids destroyed in 2002–03 for CWD (348 white tail deer and 113 elk in Alberta, and 190 elk in Saskatchewan), the total number of positive confirmed was five.

The CFIA considers its CWD control program in Saskatchewan to be effective since no additional CWD cases in farmed cervids have been reported since March 2002.

Scrapie: Scrapie is another disease in the TSE family, which affects sheep and goats. The CFIA's scrapie control program requires that animals exposed to this disease are kept out of the food chain. In 2002, the scrapie program underwent a number of changes related to the goal of eradicating this disease. Examples of these changes include a voluntary flock certification program and modifications to the current disease control program to provide for disease-resistant animals.

In 2001, scrapie was diagnosed in 12 sheep flocks. The scrapie control program is achieving its intended results since only four new infected sheep flocks were identified in 2002. Follow-up investigations resulted in orders for 3331 sheep from 15 premises to be destroyed.

In 2002–03, the CFIA assisted the industry in the development of a mandatory sheep identification program that will be implemented by the CFIA in 2004. This program is similar to the Canadian Cattle Identification Program introduced in 2002. Mandatory identification adds efficiency to the CFIA's ability to trace animals associated with disease incidents or food safety recalls.

Veterinary Biologics

The CFIA is responsible for licensing veterinary biologics⁴ in Canada. This licensing program forms an integral part of Canada's national animal health program by preventing the introduction and spread of certain animal diseases. To meet the requirements for licensure, veterinary biologics must be shown to be pure, potent, safe and effective when used in the target species according to the manufacturer's label recommendations. In addition, the licensing submission must also contain supporting data demonstrating that the product can be manufactured and used without adversely affecting animal health, human health, food safety or the environment.

Under the veterinary biologics program, the CFIA licensed 60 new products in 2002, compared to 73 licensed in the previous year. There are more than 743 licensed products in Canada. One product licensed this year was an equine vaccine for West Nile virus. The average time required to review a new licence submission, estimated at 159 days in 2001, is now 143 days. In 2002, the CFIA received 1976 reports of suspected adverse reactions to veterinary biologics, primarily vaccines for dogs and cats. This is a 20.4-percent increase compared with 2001 figures, and is attributed to increased public awareness of this program.

⁴ *Veterinary biologics include vaccines, diagnostic kits and immunoglobulin products for use in domestic livestock, poultry, companion animals and fish.*

Animal Biotechnology

In March 2003, the CFIA hosted an Animal Biotechnology Focus Group meeting to define the Agency's role with respect to animal biotechnology. The Focus Group, comprising governmental regulators, academics and representatives from the biotechnology industry, made several recommendations concerning the future role of the CFIA in the regulation of animal biotechnology. The proceedings will be posted on the CFIA Web site in 2003.

Humane Transport

Canadians continue to express concern about the welfare of farm animals. Government and industry are working to improve compliance with regulatory provisions pertaining to transportation of animals. A proposed regulatory amendment to update requirements of animals in transport, such as for food, water and rest, will start the consultation phase in late 2003. Transportation of spent laying hens continues to improve, due to 1999 handling and transportation guidelines. Due to enhanced surveillance and improvements in industry practices, the percentage of dead birds arriving in shipments at federally registered establishments fell to an average of 1.4 percent in 2002 from 2.1 percent in 1998.

Non-ambulatory livestock are unable to stand without assistance. As a result, they must be dragged or carried. The CFIA conducted a two-month survey of non-ambulatory swine at 22 slaughter facilities and 13 auction markets/assembly facilities. More than

3 million hogs and sows were inspected. Of these, 4684 were found to be non-ambulatory upon arrival, and 60 percent of them were either condemned or partially condemned at slaughter. The data showed 1664 swine were non-ambulatory on farms, while 1372 became

non-ambulatory during transportation. This data furthers the CFIA's work with stakeholders toward consensus on the handling and transport of these animals and a definition of "fitness for transport."

In support of its ongoing regulatory activities, and to address the challenges and risks that were outlined in the CFIA's 2002-03 RPP, the CFIA also fulfilled the following commitments:

Enhanced biosecurity: The CFIA increased the number of CFIA detector dog inspection teams at international airports from 9 to 15. The Agency developed biosecurity protocols for CFIA employees who visit or inspect farms and zoos, to prevent the inadvertent transmission of infectious agents between premises. The CFIA also expanded its public awareness program, started in 2001, to educate the public about restricted and prohibited agricultural and food products and the risk they pose to Canada's agricultural resources and environment.

North American disease modelling exercise:

The CFIA is working on disease spread modelling with the USDA and others. This four-year project, funded by the Department of National Defence, will enhance Canada's preparedness against foreign animal diseases by modelling the spread of disease nationally and testing different mitigation strategies such as vaccination. The goal is to identify critical factors in large outbreaks and the best control measures for epidemics.

Emergency response planning: In 2002-03 the CFIA offered a wildlife Foreign Animal Disease preparedness course for federal, provincial and industry stakeholders. The course gave participants a better understanding of diseases that could affect domestic livestock. The CFIA and federal partners are also planning a foot-and-mouth disease simulation bioterrorist attack and cross-border foreign animal disease simulation events with the United States and Mexico. Other commitments include the following:



- Develop the Canadian Animal Disease Emergency Management System (CADEMS) database:

The CFIA adapted a U.S. emergency management response system as an interim measure to respond to foreign animal disease outbreak scenarios. This data system will be available nationally in the fall of 2003. Developmental work is continuing on the integrated CADEMS.

- Continue to adapt disease control programs, as necessary, to respond effectively to emerging science:

Disease control programs were modified as required, particularly in response to advances in diagnostics technology. For example, in 2002–03 the CFIA began validating a new blood test for tuberculosis in bovines, which is expected to improve the effectiveness of the testing.

Aquatic animal health issues: In 2002–03, the CFIA worked with Fisheries and Oceans Canada to study and develop options for the development of a National Aquatic Animal Health Program.

3.3.2 Control animal diseases that are transmissible to humans

Since animals can be carriers of diseases that affect humans, it is critical that the Agency carry out timely and effective surveillance, testing and control activities for zoonotic diseases (diseases transmissible to humans) of concern. For example, bovine tuberculosis, rabies and West Nile virus are zoonotic diseases that pose a serious threat to human health. Other pathogens, such as *E. coli* and *salmonella*, are harboured in animals and can have a detrimental effect on human health when transmitted. Serious poultry diseases such as pullorum disease (*S. pullorum*) and fowl typhoid (*Salmonella gallinarum*) are controlled through the CFIA's hatchery registration program. The program enables the registration and inspection of Canadian hatcheries, thereby limiting the effect of these diseases on the health of Canadians and Canadian poultry flocks marketed internationally and domestically.

For some diseases that occur infrequently, such as anthrax, the CFIA's response is activated by a disease report. The CFIA also carries out periodic surveys for infrequently occurring transmissible diseases and, in 2002, confirmed that the Canadian swine herd was free from swine brucellosis, pseudorabies and trichinellosis. A national survey of cattle to confirm freedom from bovine brucellosis, bluetongue and anaplasmosis was also initiated in 2002.

Bovine tuberculosis: Surveillance of bovine tuberculosis is ongoing as this disease nears eradication in Canadian cattle and farmed bison and cervids. In 2002, the CFIA identified tuberculosis in wild elk and deer near Manitoba's Riding Mountain National Park, prompting establishment of a special eradication area around the park. All cattle and bison herds in the area were tested, and three infected herds were found and eradication measures instituted. Approximately 300 cattle were destroyed and approximately \$400 000 in compensation was paid. Livestock testing will continue for as long as the tuberculosis threat from diseased wildlife continues. The CFIA identified a tuberculosis-infected dairy cattle herd in Ontario, the first time the disease was found in that province in 10 years. Standard eradication measures were implemented on the infected farm and approximately 35 potentially exposed farms. No evidence was found that the infection had spread to other herds. As a result of these activities, all areas except the Riding Mountain Eradication Area are currently considered to be tuberculosis-free.

Rabies: Provincial governments are responsible for controlling rabies in wildlife. However, because this disease has the potential to be transmitted to humans or domestic livestock, the Agency conducts laboratory testing and follow-up investigations. In 2002, the CFIA tested 11 308 specimens for rabies compared with 14 654 in 2001. Of the specimens tested, 349 were positive. Of these cases, domestic livestock accounted for 7 percent, dogs and cats for 5 percent, bats for 32 percent and other wildlife for 56 percent. The 21-percent decrease in the number of positive rabies cases, from 444 in 2001, relates to lower numbers of cases of racoon rabies in Ontario and New Brunswick after those provinces instituted control programs.

In 2002–03, the CFIA conducted negotiations with each province to transfer the responsibility for the initial investigation of animal bite incidents involving humans to the appropriate provincial/territorial public health authorities. By October 2003, all provinces other than Quebec will have implemented this change. Canadians will be better served by the handling of such incidents through a single responsibility centre, and by the CFIA's delivery of programs in a more efficient and consistent fashion. Animal bite incidents involving dogs, cats or pet ferrets, numbering in the tens of thousands, are a significant public health issue, but rarely result in the transmission of rabies to humans. If the public health inspector or the owner decide that the possibility of rabies cannot be reasonably excluded, a CFIA veterinarian will be contacted immediately and the investigation will continue under the CFIA's rabies program.

West Nile virus: In 2002–03, the CFIA included West Nile virus in its list of Notifiable Diseases, which means that veterinary laboratories are required to report to the CFIA any positive cases in domestic animal species, including horses. This data is compiled and forwarded to Health Canada for inclusion in its West Nile virus data management system. The CFIA posts detailed information about its response to West Nile virus and links to Health Canada on its Web site at:

<http://www.inspection.gc.ca/english/animal/heasan/disemala/disemalae.shtml>

In support of its ongoing regulatory activities, and to address the challenges and risks that were outlined in the CFIA's 2002–03 RPP, the CFIA also fulfilled the following commitments:

- **Enhance partnerships:** Together with Agriculture and Agri-Food Canada, the CFIA worked with Canada's veterinary colleges on a funding proposal that will bring the colleges' infrastructure up to date to meet accreditation requirements and to enhance laboratory capacity and veterinary expertise. The CFIA also collaborates with Canada's veterinary colleges through the work of the Expert Committee (a sub-committee of the CAHCC) to identify strategic directions in scientific research and to develop a national curriculum that reflects current and future needs in science and veterinary regulatory medicine.

3.3.3 Meet other governments' science-based animal health and livestock feed safety requirements and contribute to the development of jointly agreed-upon operational methods and procedures

The CFIA facilitates the export of Canadian animals and animal genetics by negotiating protocols with prospective global trading partners. CFIA export certificates attest to the health of Canadian livestock that meet importing countries' requirements.

The CFIA negotiated 22 new export protocols⁵ in 2002–03 and improved access to markets by revising and updating export agreements. One significant market that opened to Canadian exporters is China's in vitro bovine embryo market. The export protocol for live swine was enhanced for some European Union (EU) countries. In 2002, market access to the EU for bovine embryos was restored. The EU's introduction of requirements in October 2001 had stopped the importation of Canadian bovine animals and embryos.

⁵ Market access for many bovine products was suspended in May 2003 following the finding of BSE in Canada.

In October 2002, the CFIA signed an agreement with the United States to jointly enforce rules governing the transportation of horses. This partnership strengthens the CFIA's ability to ensure horses are transported humanely and in accordance with Canadian regulations.

The CFIA's comprehensive risk assessment on the status of BSE in cattle in Canada, which was completed in December 2002, proved crucial to meeting the needs of other governments requesting information on risk factors associated with this disease, found in a single cow in Alberta in May 2003.

In support of its ongoing regulatory activities, and to address the challenges and risks that were outlined in the CFIA's 2002–03 RPP, the CFIA also fulfilled the following commitments:

Promoted Industry Understanding of International Standards

In 2002–03, the CFIA, through the Canadian Animal Health Consultative Committee, continued to relay information on OIE developments and advise animal industry associations of changes to international standards for animal health that may affect trade. Reports of annual meetings are posted on the CFIA Web site.

Increased Surveillance Activities

As a member of international animal health and trade organizations, Canada complies with internationally accepted surveillance standards. For example, in 2002, Canada's testing for BSE exceeded the current international standard set by the OIE.

Contributed to the Development of International Standards

The CFIA's chief veterinarian is an official delegate to the OIE. This representation, along with the work of the CFIA's centre of expertise and reference laboratory and the CFIA's participation in the development of OIE Code chapters, ensures Canada is represented internationally and can influence development of world standards. In 2002–03, the CFIA collaborated in the development of the OIE Handbook on *Import Risk Analysis: Animals and Animal Products*. These activities represent the Agency's commitment to the development of a science-based international regulatory framework.

With respect to biotechnology and feeds, CFIA and Health Canada representatives participated in 2003 in the Organisation for Economic Co-operation and Development (OECD) 7th Session of the Task Force for the Safety of Novel Foods and Feeds. Canada agreed to lead a project, involving the task force and a biotechnology group, to identify elements of molecular characterization.

3.3.4 Monitor compliance of livestock feeds with federal acts, regulations and standards

The CFIA verifies that livestock feeds, including rendered products manufactured and sold in Canada or imported to Canada, are safe, effective and labelled appropriately. Safe livestock feed is a prerequisite for the production of safe meat, milk, eggs and fish. Effective feeds contribute to the production and maintenance of healthy livestock.

The *Feeds Act* and *Regulations* require approval of new ingredients and specify registration requirements for feeds. Last year, the CFIA completed reviews of 726 applications from industry for feed registration or ingredient approval. Of these, 685 (94.4 percent) met regulatory requirements and were approved. This rate is consistent with previous years.

The CFIA regulates rendering plants and issues their operating permits. Rendering plants process approximately 1.8 million tonnes of inedible animal materials and produce a number of products, including high-quality protein meal used to manufacture livestock feed and pet food. Production of protein meal through rendering must comply with regulatory standards designed to prevent the spread of animal diseases such as BSE. Last year, Canada's 28 rendering facilities were found to be in compliance with the ruminant-to-ruminant feed ban regulations.

In support of its ongoing regulatory activities, and to address the challenges and risks that were outlined in the CFIA's 2002–03 RPP, the CFIA also fulfilled the following commitments:

Medicated Feeds Registration Program

In 2002–03, funding to regulate medicated animal feeds was approved under the Agricultural Policy Framework. The program will be implemented through proposed regulations to establish a minimum set of process control measures, including licence requirements for operators of medicated feed manufacturing establishments in Canada.

Improved Response Time for Permits and Certificates

The CFIA continues to meet its voluntary service standard to complete new feed ingredient registrations within 90 days. The time required by the CFIA to complete registrations increased from 48 days in 2001–02 to 64 days in 2002–03 because of increased demands to assess risks of potential feed contamination.

Improved Traceability

Last year, the CFIA conducted a traceability exercise for feed inspectors and program officer staff under the National Training Initiative. The exercise focused on the ability of industry to trace rendered products at all steps from source to the animal and on providing awareness training for the labels and records required in rendering establishments, at feed manufacturers and on farms.

Global Monitoring of Risks Associated with Rendering and Waste Products

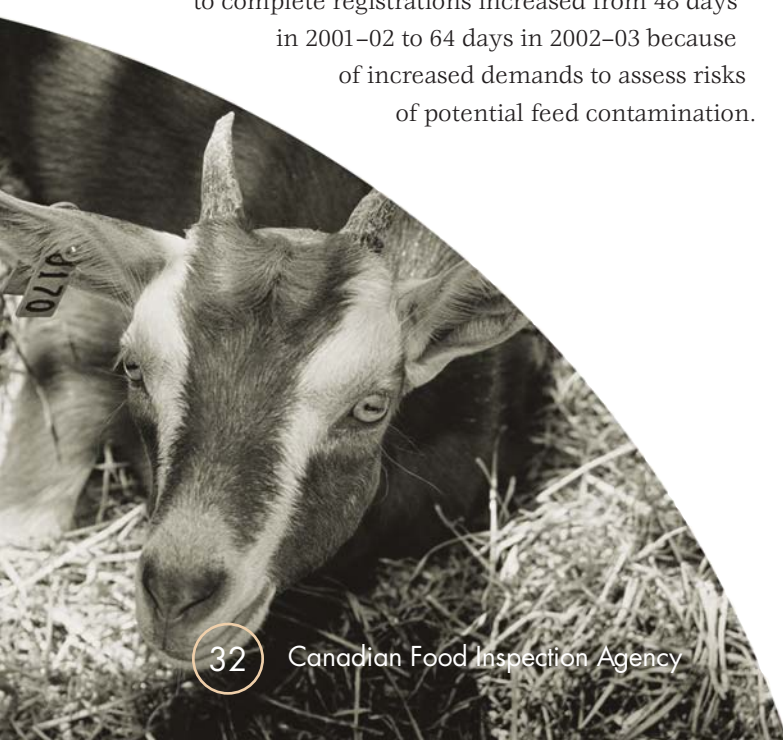
In 2002–03, CFIA scientists kept abreast of emerging science on diseases (e.g., BSE) and chemical contamination that could affect Canada's rendering policies through participation in international organizations such as the OIE and CODEX.

International Standards Development

In 2002–03, the CFIA and Health Canada participated in a CODEX task force to develop a code of practice for animal feed manufacturing for commercial and on-farm manufacturers of livestock feed and feed ingredients.

Novel Feeds

The *Feeds Act* and *Regulations* also provide for the regulation of novel feeds. The regulations were amended in 1997 to include novel feeds from plant sources, and the regulatory requirements for applicants wishing to market these feeds were outlined in the regulatory directive, *Guidelines for the Safety Assessment of Livestock Feed from Plants with Novel Traits*. In 2002, the guidelines were reviewed and updated in consultation with representatives from the feed and agricultural industries, academia, government and consumer groups. In 2003, the CFIA will finalize new guidelines for novel feeds.



3.4 PLANT PROTECTION

Strategic Outcome:

Protection of the plant resource base and regulation of inputs

The CFIA's Contribution to Canadians

Canada's plant resource base is critical to the well-being of all Canadians. The two major economic activities that rely upon this base—the forestry industry and the agriculture and agri-food industry—are among Canada's top five industries. Millions of Canadians depend upon these industries for their livelihoods.

The CFIA plays an important role in protecting Canada's plant resource base. Through its surveillance and inspection activities at Canada's international border points, the CFIA guards against the entry and spread of pests and diseases from foreign countries. Within Canada, the Agency works to control or eradicate pests and diseases. The Agency assesses the environmental safety of plants and fertilizers with novel traits prior to authorizing them for introduction into the environment. It also conducts product assessments and inspections to verify compliance with safety and other product standards for seeds and fertilizer.

The export of Canadian plants and plant products is highly dependent on the safety and quality of Canadian plant resources.

Key Partners

The CFIA works with others to achieve the protection of the plant resource base. Its key partners include:

Other federal departments and agencies: The CFIA works with other federal departments and agencies to enhance the knowledge required for policy and standard setting, regulation and program development, regulatory market access agreements, scientific risk assessments, surveillance and intelligence gathering, inspection and scientific risk mitigation.

Provincial governments: At the provincial level, the CFIA works particularly closely with the ministries of agriculture, environment and forestry. Activities undertaken with these partners mirror those undertaken with federal departments and agencies.

Non-government stakeholders: The CFIA consults with a range of stakeholders, including industry and others, regarding our regulatory policies, programs and activities. We seek cooperation in research, and expert advice on inspection and certification systems. These partners include commodity associations, scientific institutes, brokers, importer and exporter associations, environmental organizations, scientists and specialists in universities and research organizations, and others.

Trading partners and international organizations: The CFIA works with a number of Canada's trading partners, as well as with international organizations, in an effort to maximize the effectiveness of Canada's legislation and regulations within the international system. The CFIA also promotes Canadian positions in the international arena. Key partners include the USDA's Animal and Plant Health Inspection Service, the Food and Agriculture Organization, the International Plant Protection Convention and its regional body, the North American Plant Protection Organization, the OECD, the International Seed Testing Association, the International Union for the Protection of New Varieties of Plants, the Asia Pacific Economic Cooperation, and the WTO and NAFTA committees on the application of sanitary and phytosanitary measures.

PLANT PROTECTION PROGRAMS

- Plant Protection
- Seed
- Fertilizer

Description of the Programs

The CFIA protects Canada's plant resource base by carrying out three distinct yet related programs: plant protection, seed and fertilizer. During 2002–03, the **Plant Protection Program** was delivered by 585 staff at a cost of approximately \$74.5 million, representing 13.2 percent of total Agency spending. The **Seed Program** was delivered by 114 staff at a cost of approximately \$11.8 million, representing 2.1 percent of total Agency spending. The **Fertilizer Program** was delivered by 19 staff at a cost of approximately \$2.8 million, representing 0.5 percent of Agency spending.

The activities of the three programs delivered under the Plant Protection business line were based on the strategic outcomes listed in the Agency's 2002–03 RPP:

- Control the entry and domestic spread of regulated plant diseases and pests.
- Meet other governments' requirements and contribute to the development of jointly agreed-upon work plans and certification methods and procedures.
- Maintain effective plant input programs consistent with emerging international trends and new technologies, with high standards for safety, product and process.

Enforcement activities: In 2002–03, the CFIA conducted 91 investigations under the *Plant Protection Act*, the *Seeds Act* and the *Fertilizers Act*, leading to 161 charges against companies or individuals. These charges resulted in six prosecutions, nine convictions and a total of \$41,000 in fines assessed by the courts. Convictions pertained to violations such as selling seed not registered in Canada and non-compliance with quarantine zones.

3.4.1 Control the entry and domestic spread of regulated plant diseases and pests

The CFIA's efforts to control the entry of regulated diseases and pests include activities such as the issuance of import permits and inspection of imported commodities. The issuance of import permits sets out the import conditions that allow the CFIA to target the level of pest risk associated with imported commodities prior to commodities being presented for entry into Canada. Inspection of imported commodities identifies non-compliance to prevent contaminated shipments from introducing new pests or diseases into Canada.

Import Permits

In 2002–03, the CFIA issued 6 123 import permits for plants and plant products, and carried out 27 759 import inspections to confirm compliance with federal acts and regulations. CFIA inspectors carried out 2 674 inspections of import shipments, which resulted in the disposal of 2 166 non-compliant shipments and the ordering of 508 supervised treatments such as fumigation.

Surveillance and Eradication

CFIA staff conduct domestic surveys to detect exotic pest introductions, to define the infestation boundaries of regulated pests in certain parts of Canada and to conduct eradication programs. Survey information is also used to validate Canada's import requirements and to allow the CFIA to certify exports.

Last year, surveys were conducted across Canada for insects, fungi, viruses and nematodes. The largest efforts focused on plum pox virus, the brown spruce longhorn beetle, the emerald ash borer, potato wart, potato mop top virus and swede midge.

In conducting these surveys, valuable support was provided by various CFIA partners. For example, the Canadian Forest Service of Natural Resources Canada provided early identification of brown spruce longhorn beetle and emerald ash borer. Similarly, the Nova Scotia Department of Natural Resources assisted in the survey and the necessary tree removals resulting from the brown spruce longhorn beetle

infestation. The P.E.I. Department of Agriculture, Fisheries, Aquaculture and Forestry supported the surveys for potato wart, and the USDA Animal and Plant Health Service worked with the CFIA in jointly surveying for potato mop top virus.

Plum pox virus (PPV) is a serious disease of peach, nectarine, plum and apricot trees. It affects fruit quality, size and quantity, often reducing the yield significantly, rendering the fruit unmarketable and requiring that the infected trees be removed. After PPV was confirmed to be present near Niagara-on-the-Lake in Ontario in June 2000, and later confirmed in one case in Nova Scotia, the CFIA led an eradication program that included the removal of diseased trees and the establishment of quarantine zones. The aim of this three-year program, which began in 2001, was to contain and eradicate the disease while maintaining the stone fruit industry.

In support of these efforts, extensive survey work was carried out by the Agency in 2002–03. Samples were collected and tested in fruit growing areas of Nova Scotia, Quebec, Ontario and British Columbia. No PPV was detected outside the established quarantine areas, indicating the CFIA's efforts to control the spread of the disease continue to be effective.

In spring 2000, the Canadian Forest Service identified the **brown spruce longhorn beetle** to be the causal agent of black, red, white and Norway spruce mortality in Point Pleasant Park in Halifax. This was the first known occurrence of this invasive forest pest in North America. In

response to this threat, the CFIA led an extensive survey and eradication program beginning in 2000.

The CFIA continued its program to eradicate the brown spruce longhorn beetle in 2002–03. This is the third year that the Agency has been addressing this pest problem, and progress is evident. The reduction in the number of infested trees found within the quarantine area, and the fact that there have been only four isolated finds beyond the quarantine area, indicate that progress is being made toward the goal of the eradication of this invasive, introduced forest pest.

In July 2002, the **emerald ash borer** was found in Windsor, Ontario. The borer was first introduced into the United States and has killed millions of ash trees in southeastern Michigan. If allowed to spread, this pest could devastate trees in both the United States and Canada. Since the pest's discovery in Windsor, the CFIA has worked with federal, provincial and municipal departments and agencies in a "Slow the Spread" program, with surveys to establish quarantine zones and to remove infested trees. Removed trees were chipped or burned. The program complements a similar program in the United States.

Potato wart, a soil-borne fungal disease, was originally confirmed in a potato field in Prince Edward Island in October 2000, causing the United States to impose an import ban on all P.E.I. potatoes. This ban was subsequently lifted following extensive survey work and the implementation of quarantine measures by the CFIA. A three-year agreement was reached in 2001 to permit the continued shipment of P.E.I. potatoes to the United States and to other provinces under specified conditions.

In 2002–03, potato wart was confirmed on two additional P.E.I. farms. Nevertheless, a revision of the three-year management plan by the CFIA and the USDA's Animal and Plant Health Inspection Service provided P.E.I. potato growers with improved market flexibility.

In July, 2002, the USDA informed the CFIA that **potato mop top virus** (PMTV) had been found in potatoes from Maine. This coincided with the CFIA finding evidence of PMTV in potatoes imported from



the United States. Surveys conducted in both Canada and the United States revealed that PMTV is present in both countries. As a result of the surveys, Canada and the United States have agreed to a joint policy for managing the risk of PMTV and other similar potato viruses known to occur in both countries. PMTV will no longer be considered a quarantine pest and will be regulated through seed certification programs.

Swede midge is an insect pest first identified in York County, Ontario, in 2000. Farmers in Ontario first started to see heavy losses (in the 85-percent range) in broccoli in 1996, but the cause was mistakenly attributed to nutrient deficiencies. Surveys conducted in 2002 and continuing in 2003 have identified swede midge in eight counties in Ontario. This pest can cause serious economic damage to cole crops such as broccoli, cauliflower and cabbage. In 2002, the CFIA put phytosanitary measures in place to restrict domestic movement and importation of plants that could be affected by swede midge. The CFIA also negotiated with the United States to agree that trade in produce could continue because produce itself is not a pathway for spreading swede midge.

In 2003, the CFIA implemented a certification program for greenhouses that produce seedlings for transplanting. This program outlines the requirements for export and domestic movement of host plants of swede midge from regulated areas.

In support of its ongoing regulatory activities, and to address the challenges and risks that were outlined in the CFIA's 2002–03 RPP, the CFIA also fulfilled the following commitments:

- Provided technical support for Environment Canada's development of an integrated action plan to enhance the federal government's efforts against invasive species.
- Continued to develop a smuggling interdiction program in cooperation with other agencies involved in border protection (e.g., Canada Customs and Revenue Agency and the United States).

- Utilized risk pathway analysis as a basis for program redesign. Examples include:
 - conducted risk analyses to provide additional certification options for hay moving from **cereal leaf beetle** (CLB) areas to CLB-free areas, in support of the Hay West campaign (see sidebar);
 - conducted risk analyses to provide additional certification options for potatoes, in support of a joint Canada-U.S. effort to harmonize potato certification for a number of potato pests causing internal tuber necrosis;

HAY WEST

During the summer and fall of 2002, a severe drought caused a shortage of hay in Canada's Prairie provinces. As a result, some areas began importing hay from other provinces. In an effort to help, farmers in eastern Canada donated hay in a campaign known as "Hay West" to the drought-stricken Prairie farmers. Established regulatory procedures required that the donated hay be fumigated to prevent the spread of a pest known as cereal leaf beetle (CLB). To assist farmers in this voluntary effort, the Government of Canada paid for the costs of fumigation. The CFIA also responded by developing other certification options for hay moving from CLB-infested areas to non-infested areas.

For instance, hay of legume species (including alfalfa), which are not hosts for CLB, are now exempt from plant protection requirements. Hay and straw of grass species, which are hosts of CLB, are still subject to regulatory requirements. The CFIA also conducted risk analyses to permit the use of treatment options other than fumigation—demonstrating how the Agency works with regulated parties to best manage pest risks.

- conducted risk pathway analysis and successfully demonstrated to the United States that fresh Brassica produce posed a negligible pest risk and that trade could continue from regulated areas.
- Assisted industry in the implementation of quality management systems for self-regulation, such as a kiln-dried, heat-treated Coniferous Lumber Export Certification Program for EU-bound lumber, the Karnal Bunt-Dwarf Bunt Certification Program for grains, and the Swede Midge Certification Program for crucifers.
- Undertook research projects to contribute to detection and identification of pests using new technologies such as molecular biology and pest survey methodology. For example, research was conducted on PPV transmission, strain characterization and detection techniques to allow for more rapid and accurate detection.

3.4.2 Meet other governments' requirements, and contribute to the development of jointly agreed-upon work plans and certification methods and procedures

Meeting other governments' science-based plant protection requirements

The CFIA certifies that Canada's seeds, plant and forestry products meet other countries' import requirements, including being free of quarantine pests that may be of concern to them. This assurance facilitates international trade and helps maintain the excellent international reputation of Canadian plants and plant products. An indicator of the CFIA's performance in this area is the ability of CFIA-certified products to meet the requirements of importing countries.

Phytosanitary certificates, which indicate that the import requirements of a foreign country have been met, facilitate the entry of plants and plant products into foreign countries. In 2002–03, the CFIA issued 62 515 phytosanitary certificates, compared with 67 742 in 2001–02, and 54 389 in 2000–01. The CFIA was notified 64 times that Canadian products did not meet requirements of an importing country. For example, Japan rejected non-compliant Canadian hay, and some Canadian exports failed to meet new EU requirements on wood packaging material. This low incidence of non-compliance with foreign country requirements is consistent with previous years and indicates that the CFIA continues to deliver a high standard of phytosanitary certification.

Contributing to the development of jointly agreed-upon operational methods and procedures

In 2002–03, the CFIA continued to participate in a number of international committees and remained involved in influencing international standard-setting and bilateral and multilateral agreements on operational methods and procedures. For example, the CFIA continues to be a strong partner of the North American Plant Protection Organization (NAPPO), chairing a number of panels to set plant health standards. The Agency also continues to represent North America (Canada, the United States and Mexico) in international plant health standard-setting committees established by the International Plant Protection Convention (IPPC). In 2002, the IPPC, which has a membership of 118 countries, adopted four new international standards and amended one. Notable among these standards are the IPPC *Use of Integrated Measures in a Systems Approach for Pest Risk Management; Regulated Non-Quarantine Pests: Concept and Application*; and *Pest Reporting*.

In support of its ongoing regulatory activities, and to address the challenges and risks that were outlined in the CFIA's 2002–03 RPP, the CFIA also fulfilled the following commitments:

- Promoted domestic industry's understanding of the IPPC standards.
- Established technical agreements and work plans with major trading partners in an effort to address technical barriers to trade. For example, last year the CFIA
 - gained U.S. acceptance of seed analysis certificates and CFIA labels in place of phytosanitary certificates for seeds exported to the United States;
 - negotiated a revised management plan for potato wart that allowed the continued movement of P.E.I. potatoes into the United States;
 - implemented a certification program for swede midge that minimized the negative impact on trade with the United States.

3.4.3 Maintain effective plant input programs consistent with emerging international trends and new technologies, with high standards for safety, product and process

The CFIA and the seed industry are responsible for seed quality management systems in Canada. Under the *Seeds Act*, the CFIA regulates seed, and registers

seed varieties and seed establishments. The CFIA operates two seed laboratories that provide scientific advice and test for seed germination, viability, mechanical and varietal purity, and seed-borne diseases.

CFIA staff inspect imported seed and conduct marketplace surveillance to determine if seed sold in Canada meets established standards. As well, the CFIA also certifies that seed exports meet importing countries' standards.

Seed conditioning; sampling; testing for purity, germination and disease; and grading and labelling are performed by the industry under the supervision of the CFIA and the Canadian Seed Institute (CSI). The Agency and CSI oversee a seed laboratory accreditation program that includes 46 private labs and about 100 analysts who provide industry seed-testing services.

Testing: In 2002–03, CFIA seed laboratories conducted 11 499 tests on 10 867 samples, primarily for mechanical and varietal purity, germination and disease. This analytical service is integral to the Agency's seed inspection and enforcement program and supports seed exports through issuing international seed lot certificates.

Registrations: The CFIA's Variety Registration Office (VRO) registers varieties of most agricultural crops in Canada. Variety registration is critical to the function of the seed certification system. The VRO maintains a Web site that provides the seed industry and the agri-food sector with up-to-date information on the registration status of plant varieties. During the past year, the VRO registered 196 varieties of agricultural crops, including registration of the first hybrid alfalfa in Canada.

Inspections: CFIA inspectors conducted marketplace surveillance and targeted establishments with poor compliance records and those that had been the subject of complaints. In 2002, results indicated that 92 percent of pedigreed seed, 86 percent of non-pedigreed seed and 94 percent of imported seed met standards. These compliance rates are consistent with those of previous years.

Certifications: CFIA staff inspect seed crops for the Canadian Seed Growers Association (CSGA). Inspection reports are submitted to the CSGA, which in turn issues crop certificates indicating compliance with varietal purity standards and pedigreed seed crop inspection procedures. Last year, more than 1300 varieties of pedigreed seed were grown by about 3800 pedigreed seed growers. Agency inspectors and CFIA-accredited private crop inspectors conducted inspections on about 500 000 hectares, and 98 percent met CSGA standards, thus confirming the high quality of Canadian pedigreed seed.

Regulating the Environmental Safety of Plants with Novel Traits

The CFIA regulates the environmental safety of plants with novel traits (PNTs). PNTs are produced by conventional breeding, or through mutagenesis or techniques of biotechnology. Safety assessments are required for all PNTs imported into Canada or released into the environment.

PNTs must undergo environmental evaluations prior to testing in confined research field trials and unconfined environmental release. They must also undergo evaluation prior to being imported into Canada. The CFIA oversees these environmental evaluations. Field trials are conducted under conditions calculated to mitigate plants' potential environmental impact and minimize gene flow.

Occasionally, developers of PNTs may not fully comply with the terms and conditions of a field trial. When this occurs, the Agency works with the developer to bring the trial into compliance. All problems identified during the 2002–03 fiscal year were corrected and did not pose any environmental or safety concerns (see below). All 2002–03 field trials were planned to be inspected at least once during the growing season and again at the end of the trial. Compared with the previous year, more field trials received additional post-harvest inspections.

FIELD TRIALS FOR PLANTS WITH NOVEL TRAITS (PNTS)

	2001 Fall Seeded Trials ¹	2002 Post-harvest Trials ²	2002 Current-year Trials ³
Number of Trials Conducted	6	849	243
Number of Trials Inspected	6	427	229
Percentage of Trials Inspected	100%	50%	94%
Number of Trials with Compliance Problems	0	19	20
Percentage of Trials with Compliance Problems	0%	4.5%	9%

¹ Fall seeded trials were planted in the fall of 2001 and inspected in the summer of 2002.

² Post-harvest inspections determine whether developers comply with conditions that apply after the field trial has been terminated; 849 trials were under post-harvest land use restriction in 2002.

³ Current-year trials were planted in the spring of 2002 and inspected that summer.

The CFIA also conducts environmental safety assessments of PNTs submitted for environmental release. PNTs must be approved before they can be grown and commercialized in Canada. During 2002–03, two new submissions were received and four existing submissions were approved. PNTs approved for release totalled 39. Additional information about these PNTs is available on the CFIA's Web site at:

<http://www.inspection.gc.ca/english/plaveg/pbo/pntvcne.shtml>

Protecting the Work of Plant Breeders

The CFIA protects the work of plant breeders under the authority of the *Plant Breeders' Rights Act*. After developing a new variety, a plant breeder applies to the CFIA for the right to control the multiplication and sale of the reproductive material of the new variety. To be granted that right, the applicant must demonstrate to the CFIA that the variety under consideration is new, distinct, uniform and stable (see table below). Examination requirements must be met before final rights are granted. This process can take several years to complete depending on the plant species.

In support of its ongoing regulatory activities, and to address the challenges and risks that were outlined in the CFIA's 2002–03 RPP, the CFIA also fulfilled the following commitments:

- Strengthened Canada's seed certification system through enhancements made to the seed inspector training and certification program for seed sampling, which leads to continued

recognition for Canadian pedigreed seed in international markets.

- Released a five-year summary report (1996–2001) on seed purity and germination testing for seed sellers and buyers.
- Initiated an Authorized Exporter program pilot project, developed in cooperation with the Canadian Seed Institute (CSI), thereby enhancing the international reputation of Canada's major seed exporters.
- Reached agreement with the Canadian seed industry on a new cooperative approach to assessment of industry needs, laying the groundwork for regulatory reform.
- Initiated research projects to assist in the development of regulatory policy. Examples of these projects include research on gene flow from PNTs to wild relatives, effects of PNTs on non-target insects, insect-resistance management, herbicide tolerance management and pollen flow modelling.
- Worked with other federal departments to address the implications of Canada's potential ratification of the Cartagena Protocol on Biosafety.
- Worked within the North American Plant Protection Organization (NAPPO) panel to develop elements of its standard on the importation and release of transgenic plants in NAPPO countries.

APPLICATIONS FROM PLANT BREEDERS FOR RIGHTS PROTECTION

	Applications for Rights Protection	Approved	Renewals ¹	Agency Revenues for Services
Calendar 2001	450	202	566	\$598 400
Calendar 2002	474	228	708	\$714 200

¹ Varieties previously approved for grant of rights and renewed during the calendar year.

Regulating Canada's Fertilizer Industry

Canada's fertilizer and supplement industry generates products worth more than \$5.5 billion each year.

Products sold in or imported into Canada are regulated by the Agency under the *Fertilizers Act*. The CFIA monitors these products to determine their compliance with standards. Monitoring confirms product efficacy, health and environmental safety, and label accuracy. Regulated fertilizer and supplement products include bulk blended fertilizer, composts and processed sewage, and synthetic chemical products.

Last year, the CFIA reviewed analyses for fertilizer products containing nitrogen, phosphorus and potassium under the Canadian Fertilizer Quality Assurance Program (CFQAP). This voluntary industry-government program requires fertilizer blenders to take samples for laboratory analysis and submit results to the CFIA. The Agency compiles results and publishes blend plant ratings annually. In 2002–03, the compliance rate dropped slightly from previous years to 79 percent; however, it remained consistent with the five-year average of 82 percent. The fertilizer industry continues to strive to improve this overall compliance rate. The CFIA provides information at industry's request to assist in improving quality control practices. The CFQAP enables the Agency to direct resources to quality control audits, review of health and safety issues, and investigation of complaints.

In addition to samples monitored under the CFQAP, the CFIA monitored the production of bulk blend fertilizers, produced at approximately 1220 establishments across Canada. In these establishments, CFIA

inspectors took 887 samples to verify fertilizer guarantees for nitrogen, phosphorus and potassium. The compliance rate was 83 percent, representing a slight increase in compliance from last year's rate of 80 percent. When analysis of a sample indicates that a product does not meet the standards, the inspector follows up with the establishment that produced the blend. This follow-up may be in the form of an on-site visit or correspondence with the establishment manager. The inspector often works with the establishment manager to determine why the product was non-compliant.

CFIA inspectors also took 189 samples of legume inoculants (i.e., nitrogen-fixing bacteria) and pre-inoculated seed products to determine if they meet minimum concentration requirements. The compliance rates were 97.4 percent for inoculants and 86.1 percent for seed products. Sampling was targeted at new products and products with a high risk of not meeting quality standards. If an inoculant product is non-compliant, the manufacturer and retailer are informed and the product may be detained or sent for disposal.

The CFIA conducts label guarantee verification of combined fertilizer and pesticide products. Inspectors took 38 samples and seven (18.4 percent) were found to be non-compliant. Such products are generally detained and, unless brought into compliance, are sent for disposal. Although the sample size was small, the high level of non-compliance indicates that this is an area that requires continued Agency focus. Sampling and testing will increase next year.

CANADIAN FERTILIZER QUALITY ASSURANCE PROGRAM (CFQAP) RESULTS

	1998	1999	2000	2001	2002
Number of Samples	3483	3273	2887	2804	2527*
Industry Compliance	83%	84%	85%	80%	79%

* The drop in samples is partly attributable to the variable number of voluntary participants in the CFQAP.

CFIA inspectors sampled 78 micronutrient fertilizers in 2002–03 to determine if the products met label guarantees. In total, 23 percent of these products had concentrations lower than stated, indicating a quality control problem for the industry. Future inspections will focus on new products and those with a history of non-compliance.

Testing for microbial contaminants: The CFIA tests products such as processed sewage sludge and compost for microbial contaminants such as *Salmonella* and faecal coliform. This is due to the potential carry-over of micro-organisms from waste materials including sewage, manure and/or food wastes.

From April 1, 2002, to March 31, 2003, CFIA inspectors took 40 samples for *Salmonella* testing and 13 samples for faecal coliform testing. Non-compliant products are usually detained and, unless they are brought into compliance by re-processing, they are disposed of by an appropriate method. Imported products found to be non-compliant are returned to the manufacturer. The following table summarizes the results of the CFIA's pathogen-testing program.

LEVEL OF SAMPLING AND INDUSTRY COMPLIANCE FOR PATHOGEN TESTING

	2000	2001	2002
Number of Samples	44	55	53
Industry Compliance	77%	82%	91%

The CFIA is satisfied with the year-over-year improvement in industry compliance demonstrated in this area.

In support of its ongoing regulatory activities, and to address the challenges and risks that were outlined in the CFIA's 2002–03 RPP, the CFIA also fulfilled the following commitments:

- Initiated a laboratory research project for development of regulatory policy for genetically modified micro-organisms (GMMOs) that could be used as supplements. Contracted researchers are studying composting as a method of disposal of GMMOs.
- Initiated a study to review sampling methodology for pathogen testing of compost, which will be used to enhance regulatory policy.

3.5 HORIZONTAL STRATEGIES

3.5.1 Scientific and regulatory integrity

As Canada's largest science-based regulatory agency, the CFIA relies on sound science as the basis of its program design and regulatory decision making. A strong, coherent link between the CFIA's internal, mandate-driven science and the Government of Canada's overall science agenda enhances science innovation and excellence both within the Agency and across government.

To maintain and strengthen this link, the CFIA works with the 21 science-based departments and agencies (SBDAs) within the federal science and technology community. As part of the SBDA community, the Agency is participating in developing a common vision and implementation plan to address science and innovation within the federal government.

In support of these government-wide initiatives and the objectives outlined in the CFIA's 2002–03 RPP, the Agency undertook the following initiatives:

- Developed strategies to implement the Government of Canada's Framework for Science and Technology Advice by incorporating its principles and guidelines into the CFIA's policy-making framework.
- Contributed to the preparation of a federal *Guide for Science and Policy Managers*.
- Participated in an interdepartmental working group to respond to recommendations contained in two reports issued by the Council of Science and Technology Advisors: *Building Excellence in Science and Technology* and *Science and Technology Excellence in the Public Service*.

- Partnered with other federal departments in implementing Canada's Chemical, Biological, Radiological and Nuclear Research and Technology Initiative (CRTI). The CRTI's objective is to improve Canada's ability to respond to chemical, biological, radiological and nuclear incidents. The CRTI also creates clusters of federal labs as elements of a federal laboratory response network that will build science and technology capacity to address the highest-risk terrorist attack scenarios. In 2002–03, the CFIA co-chaired the biological cluster with Health Canada.

3.5.2 Biotechnology

Responding to ongoing advances in biotechnology continues to be a challenge that applies to all three of the CFIA's business lines—food safety, animal health and plant protection. To meet this challenge, an annual investment of \$10 million in the Agency's regulatory system for biotechnology-derived products has been used to better integrate the Agency's approach to biotechnology. It is focused on four key areas:

Maintaining effective and strict regulatory oversight of current biotechnology products

The CFIA works in partnership with other government departments in support of the **Canadian Regulatory System for Biotechnology** (CRSB). In 2000, Treasury Board Ministers approved a CRSB submission to invest in the biotechnology regulatory system. This investment will ensure that Canadians have an efficient, credible and well-respected regulatory system that safeguards the health of Canadians and the environment and permits safe and effective products.

In May 2001, the CFIA developed a Results-based Management and Accountability Framework for the CRSB. In the fall of 2002, the CFIA led a horizontal formative evaluation of the CRSB on behalf of the six participating departments. A summative evaluation is targeted for 2004–05 to examine whether the expected results are being achieved.

As the main regulatory body responsible for assessing the safety of agricultural products derived from biotechnology, including PNTs, livestock feeds, biofertilizers and veterinary biologics, it is the CFIA's responsibility to keep pace with technology as it develops and evolves. The Agency continues to increase its capacity for monitoring, inspection, surveillance and enforcement. For example, in 2002–03 the CFIA conducted updated training of field staff for inspections of confined field trials. The Agency also engages in scientific research to address emerging issues and support timely policy development. For example, studies were initiated last year to investigate pollen flow in canola and to develop computer modelling of pollen flow.

Modernizing Canada's biotechnology regulatory framework to keep pace with changes in science and regulation

To keep pace with advances in these areas, last year the Agency published updated regulatory directives and guidelines concerning PNTs and livestock feeds derived from PNTs. These documents included:

- *Assessment Criteria for Determining Environmental Safety of Plants with Novel Traits;*
- *Draft Guidelines for the Safety Assessment of Novel Feeds from Plant Sources;* and
- *Interim Amendment to Directive 2000–07 for Confined Research Field Trials of PNTs for Plant Molecular Farming.*

Further advances in transgenics may soon produce markets for animals with novel traits. The CFIA, in partnership with Health Canada and Environment Canada, must continue to develop the regulatory framework for animals with novel traits so that animal health, food safety and the environment are not at risk. In March 2003, the CFIA held an Animal Biotechnology Focus Group meeting to begin developing regulations for biotechnology-derived animals.

Finally, the CFIA continued to implement recommendations made by the Royal Society of Canada concerning the regulation of food biotechnology in Canada. Key milestones achieved by the Agency in 2002–03 are detailed in the Government of Canada's fourth progress report available on the CFIA's Web site.

Influencing the evolution of the international regulatory framework for biotechnology

Last year, the CFIA continued to lead, with Health Canada, Canada's participation in the CODEX Committee on Food Labelling and the Ad Hoc Task Force on Foods Derived from Biotechnology. The result, in March 2003, was the completion of three CODEX guidelines regarding food safety assessments. These guidelines set out detailed procedures for determining the safety of genetically modified foods.

The CFIA continued to work with other Government of Canada organizations, as well as international bodies, to prepare for the implementation of requirements pursuant to the Cartagena Protocol on Biosafety. In 2002–03, the CFIA participated in consultations led by the Government of Canada that sought stakeholder input on how to proceed regarding Canada's further participation in developing the biosafety protocol. The CFIA also published its proposed regulation to implement the Cartagena Protocol on Biosafety, should Canada choose to ratify the agreement. These regulations would specifically cover agricultural products, including plants, plant products, fertilizers, feeds and veterinary biologics. A consultation document on the CFIA-proposed regulations is available on the CFIA Web site.

Continuing to provide information to the public and engaging Canadians in dialogue about biotechnology regulation

To further this objective, last year the CFIA issued several consumer fact sheets concerning biotechnology regulation and made regulatory decision documents available to consumers in plain language. Examples of fact sheets issued last year include:

- Building Biotechnology Capacity at the CFIA;
- How the CFIA Seeks Public Input;
- Detection and Testing Methodologies for Biotechnology-Derived Agri-Food Products; and
- Cartagena Protocol on Biosafety—Article 18.

The Agency also worked with Health Canada in developing a pilot project to post “Notice of Submission” documents for new biotechnology-derived agricultural products on the CFIA Web site. Finally, the Agency continued to work with the Canadian General Standards Board to advance the development of a Canadian standard for the voluntary labelling of foods derived through biotechnology.

For further information on biotechnology in the CFIA, please visit our Web site at:

<http://www.inspection.gc.ca/english/toc/bioteche.shtml>

3.5.3 Border management

Safeguarding Canada's food supply and the animal and plant resource base requires effective controls at border points. Recent global events and the subsequent focus on North American security have stressed the need to enhance border management strategies.

In 2002–03, the CFIA worked with its federal and provincial partners and the U.S. government to maintain public security, ease border traffic flows and coordinate emergency procedures for possible food security situations. The Agency's border management strategy focused on enhancing food security measures, foreign animal disease and plant pest control, and emergency preparedness to protect Canadians in a way that did not unnecessarily disrupt legitimate trade.

Last year, the CFIA and its border partners supported the creation of pre-staging areas for export shipments and expedited lanes for live animals and perishable commodities. The Agency implemented import controls that identified and targeted shipments of high-risk commodities. The CFIA also prepared to initiate tracebacks and recalls of products if a food security concern was identified.

As part of the Government of Canada's public security and anti-terrorism initiatives, in 2002–03, the Agency was provided with additional funding to increase biosecurity measures at border entry points, to enhance food safety surveillance systems and to increase science and laboratory capacities. As a result, the Agency assigned additional inspectors to airports, seaports and land borders, and used inspection tools such as x-ray machines at border entry points, including postal, courier and cargo inspection sites. Detector dog and handler teams were increased to inspect for restricted and prohibited plant and animal products. The CFIA also worked with the Canada Customs and Revenue Agency to increase inspections of imported container cargo and surveillance of passengers and baggage arriving on international flights.



3.5.4 Emergency response management

Under the *Emergency Preparedness Act*, the CFIA is mandated to prepare for and respond to emergencies involving food safety, animal health and plant protection. Effective emergency response management has always been a priority for the Agency. New challenges include increased threat awareness, greater consumer expectations, the need for heightened vigilance in detecting new hazards, and the need to strengthen government, industry and international agency partnerships in emergency preparedness.

In 2002–03, the CFIA's emergency preparedness program focused on achieving readiness to respond rapidly to potential food safety, animal disease or plant pest emergencies:

- The *CFIA Emergency Book*, which describes the foundation of emergency management in the Agency, including concepts, structure, organization and operations for internal and external reference, was finalized in January 2003 and posted on the Agency's Web site.
- Internal emergency plans related to food safety, animal disease outbreaks and plant pest eradication were updated.
- An Emergency Preparedness Workshop was held in March 2003 to review the CFIA's emergency preparedness program and suggest improvements.

The CFIA also investigated with the Treasury Board Secretariat possible funding mechanisms to help deal with the Agency's growing number of resource-intensive emergency responses. For example, since 2001, the Agency has been faced with a number of significant emergencies such as plum pox virus, brown spruce long-horn beetle, transmissible spongiform encephalopathies and emerald ash borer.

Treasury Board Ministers directed that \$20 million of the \$50 million incremental annual spending announced in the 2003 Federal Budget be reserved to cover such costs.

The Agency continued to work with its key partners, provincial and territorial governments, industry stakeholders, international emergency management committees and government departments to develop emergency plans. For example, the CFIA:

- established a working group with Health Canada on emergency preparedness to raise awareness of existing emergency plans and to develop a partnership with Health Canada to define emergency interaction;
- contributed to the update of the Food and Agriculture Emergency Response System (FAERS) manual, which is a framework designed to link the federal, provincial and private sectors to better manage and coordinate the response to agri-food emergencies; and
- worked with the Office of the Solicitor General and contributed to the review and update of the National Counter-Terrorism Plan.

The CFIA regularly designs and implements emergency exercises that test emergency plans, both domestically and internationally. For example, last year the CFIA:

- contributed to the Canada-U.S. exercise TOPOFF 2, a large-scale counter-terrorism exercise;
- designed, with U.S. colleagues, an international exercise related to an animal disease outbreak; and
- held an emergency preparedness orientation session related to food safety with Health Canada.

3.6 HUMAN RESOURCES MANAGEMENT

The Agency's Human Resources (HR) Strategy 2000–03, in its final year, has served as an excellent HR management framework and performance reporting tool for the Agency. This report will outline the Agency's inputs, activities and outputs that are essential to achieving our three strategic HR themes: Maintain a Qualified Workforce; Attract and Retain Skilled Employees; and Continue to Build a Supportive Work Environment. Last year, the Agency devoted much effort to the planning function to ensure the evolution of strategic priorities fit the business needs of the future. In consultation with employees and stakeholders, a new *Corporate Business Plan* was developed for 2003–08 which includes a focus on good governance and sound HR management.

Maintain a Qualified Workforce

In 2002–03, the Agency underwent a restructuring of its workforce to better align its organizational structure with its corporate priorities. These changes can be seen as part of our transition from an Agency in formation made up of parts from different departments to one with an established role and culture. The Agency's population was 5585 as of March 31, 2003, representing a workforce growth of 2.2 percent. In 2003, the proportion of indeterminate employees (compared with 2002), increased from 80 percent to 82.5 percent. The scientific and professional community⁶ has one of the highest indeterminate representations at 92 percent. To support the responsible use of term employment, the Agency produces a yearly report on terms to ascertain if term or indeterminate employment is appropriate.

While the overall workforce growth was 2.2 percent, the Agency's scientific, professional and technical community⁷ population increased by 5.8 percent. This concentrated increase was necessary to deal with recent world events that have affected the work of the Agency by creating a demand for heightened security and increased vigilance at border entry points.

The CFIA's strength and future will be determined by its intellectual assets—its employees. Keeping CFIA employees' knowledge and skills current, relevant and leading-edge requires a permanent commitment to learning and innovation. The Agency has demonstrated its commitment to building a strong culture of continuous learning by investing \$5.2 million, which represents over 50 percent more in direct training investment in 2002–03 than in 2001–02. In addition, CFIA has reorganized the learning function and brought the responsibility for management learning and scientific and technical training together to form a distinct group in the HR Branch. This move is expected to enhance the effectiveness and prominence of learning within the Agency and to ensure a strategic approach to addressing Agency training needs.

Over 60 percent of the training expenditures were devoted to CFIA science-based technical training. Approximately 100 national training initiatives involved teams of Programs and Operations staff as subject matter experts in the design and development of training materials and programs. Key elements of these initiatives included emergency response and management training, national training standards and biotechnology training.

⁶ For purposes of this report, all references to the scientific and professional community will include the following occupational groups: Agronomist (AG), Biologist (BI), Chemist (CH), Scientific Researcher (SE) and Veterinarian (VM).

⁷ For purposes of this report, all references to the scientific, professional and technical community will include the following occupational groups: Agronomist (AG), Biologist (BI), Chemist (CH), Inspector (EG), Scientific Researcher (SE) and Veterinarian (VM).

The magnitude and importance of the responsibilities of the Agency require that staff must always be ready to respond to present and future emergencies. Preparing for and responding to crises require that CFIA staff are knowledgeable about national, provincial and municipal emergency response structures, and are able to react quickly to work with their counterparts and colleagues. Examples of emergency response training efforts in 2002–03 included:

- approximately 100 employees were trained to respond efficiently and effectively to plant, animal health or food safety crises;
- over 115 employees were trained in foreign-animal diseases in domestic livestock and wildlife; and
- approximately 50 staff were trained in sampling techniques specific to transmissible spongiform encephalopathies (TSEs).

Furthermore, the development of National Training Standards for 14 programs has continued throughout the past year. This work will identify the specific competencies required to perform functions in each program and will form the core in developing training plans for new employees and employees new to a program. The ultimate goal will be the development of training modules and reference documents to match the required competencies. The development of formalized training programs will be a multi-year project, the focus of which will be determined through priority setting by the various programs. Three programs—

Seeds, Feeds and Fertilizers—have advanced to the point that inspector certification systems are being developed, based on the National Training Standards and completion of training modules.

Approximately 93 percent of CFIA inspection staff have begun the Food Safety Enhancement Program curriculum; 33 percent of these have completed the classroom components and 13 percent have completed all components thus becoming CFIA certified.

As the field of biotechnology expands, so does the need for a knowledgeable workforce to regulate and inspect agriculture products. Specific training was undertaken by over 110 employees in the Seed and Feed Programs to fulfil new knowledge and activity requirements of inspection staff. More than 30 CFIA staff took the opportunity to obtain or enhance a broad working knowledge of biotechnology through introductory courses.

The CFIA has begun to explore various methods of training its technical and non-technical staff, including thorough electronic learning. Where applicable, Web-based training, as well as software-specific programs, are being pursued to train the maximum number of staff. The implementation of these innovative training methods is expected to address the geographic and operational challenges that the Agency experiences.

From a leadership development perspective, the Agency shifted its focus this year from federal programs to Agency programs aimed at developing CFIA's management group. The Agency has implemented and delivered over 50 management and supervisory competency program courses to half of the 1200 CFIA managers and supervisors. The goal is to continue to train all managers and supervisors. The courses offered range from Classification, to Coaching for Performance, to mandatory courses such as Access to Information and Privacy, Occupational Safety and Health, and Diversity Awareness. These programs have brought relevant learning to the new generation of managers with the objective of enhancing consistency in training to better equip them to handle their responsibilities.



The Agency developed a Learning Strategy aligned with the Agency's business needs. This coordinated and strategic approach to learning lays the foundation upon which recruitment and learning priorities will be built: achieving a balance between accommodating changing needs, collecting training data, evaluating the return on investment and monitoring results, all of which have been challenges for the Agency in the past. The implementation of the Learning Strategy will take place in 2003–04 and will be carried out over the next five years. During the first year, the focus will be on putting the appropriate policies in place to build the governance and accountability structures, refine roles and responsibilities, and provide other basic corporate learning services. Another key deliverable under the Learning Strategy is the implementation of learning plans, which will reflect strong links to corporate business planning, provide direction and serve as a benchmark for evaluation. Agency-wide implementation is expected to be initiated in the upcoming year.

Progress has been made in implementing the PeopleSoft training module used to track training information. In 2002–03, all Areas were trained in utilizing the new module. However, issues raised by the Areas, including security and data transfer from existing systems, have necessitated further modifications to be made to the module to accommodate these specific requirements prior to implementing the new module across the country. These modifications are expected to be completed in the next fiscal year, followed by full implementation.

Maintaining a qualified workforce also means providing employees with the tools to take advantage of educational, career and skill development opportunities in line with the Agency's commitment to continuous learning. Employees' pursuit of educational and career development opportunities resulted in 15 percent of the total Agency training expenditure being dedicated to tuition and course costs. In 2003, a renewed focus on official languages training for developmental purposes resulted in an additional \$250 000 investment to fund this training. This approach to language training is expected to support

the succession planning process and lead to an increase in pre-qualified employees filling bilingual positions. The Agency plans to formalize its approach to education by revising its learning policy to include educational leave and educational assistance training policies, and an Agency-wide business process for authorizing and recording learning activities.

Finally, another key element of the Learning Strategy is the identification of key competencies, along with the required career management and training needs for specific groups. For example, in June 2002, the development of the competency profile for non-technical competencies was completed for veterinarians (VMs) and approved in principle by the Project Working Group; final approval is dependent on completion of the National Training Standards. The competency profile is currently being piloted by Agency VMs so that it is a practical and applicable tool for the development of career paths for VMs within the Agency. The pilot training program is expected to be completed in November 2003. Following any necessary redesign of the pilot training program, it will become available for training VMs nationally by 2005.

Attract and Retain Skilled Employees

Demographics and today's highly competitive, knowledge-based economy have required the Agency to develop and implement aggressive succession planning, recruitment initiatives and innovative, values-based HR management practices.

In 2002–03, only 64 employees out of the 414 eligible to retire actually retired. This is in line with the Agency's trend over the past five years, which has shown that approximately 15 percent of those who are eligible to retire take their retirement. However, the Agency must prepare for the departure of a significant number of eligible retirees in the next five years. The Agency's forecasted five-year retirement eligibility is 23 percent; it is slightly higher for the scientific, professional and technical community at 26 percent and the Executive (EX) group stands to lose the largest percentage of employees to retirement at 38 percent.

From recruiting the right candidate to developing new leadership from within, succession planning is an essential ingredient in building a workforce capable of achieving the Agency's strategic goals. To this end, in 2002–03, the Agency identified succession planning as a top corporate priority. The Executive Vice-President was appointed Succession Planning Champion, and will direct and support the goals aligned with human capital needs. The Agency is currently developing a succession planning process that will include critical position analysis⁸ and support tools. The objective of this formal succession planning process will be to maintain continuity in leadership and business capacity. The research phase of the succession planning project was initiated in January 2003. Project development and implementation will continue into next fiscal year.

Effective succession planning initiatives already in place at the Area level will be used as the basis for developing the Agency-wide approach:

- In the Atlantic Area, a successful transition fund was established and implemented, which allows a double-banking of employees to facilitate knowledge transfer by allowing a departing employee to work concurrently with a newly hired employee. A total of four employees have gone through this process to date.
- In Ontario, managers have been holding anticipatory competitive processes to prepare for retirements or other known departures. Rotational acting assignments and temporary assignment service are common methods of preparing potential candidate pools for competitive processes in the future. Double-banking of positions and specified period appointments are used as a means of transferring knowledge in critical positions; at least four instances of this have occurred in Ontario in the past year.

- Quebec continues to focus on employee leadership development through the launch of a second cohort of its working internship program. There are currently four employees enrolled in the program and they are expected to complete their internships in 2004.
- In 2002–03, the Laboratories Directorate of Science Branch also initiated a pilot project on succession planning and developed a model to be implemented throughout the national lab system. The model emphasizes identification of needs for key positions. This in turn leads to the identification of gaps that require attention for future delivery of the CFIA mandate.

In this highly competitive labour market, the CFIA recognizes the importance of recruiting a skilled workforce to respond to business priorities. In 2002–03, hiring was concentrated in areas where business needs were the greatest. The number of VMs hired increased by 12 percent over 2001–02, while inspectors (EGs) accounted for 45 percent of all hires in 2002–03. The CFIA was successful in enhancing its bio-security measures by hiring additional staff, including inspectors at airports, seaports and land borders to protect the safety of our food supply and the health of Canada's plants and animals. We have also added more detector dog and handler teams to our airports.

The Agency has been successful in attracting future employees by offering students and new and recent graduates interesting and challenging work experiences and placements. At the Area level, career fairs and student exchanges were held with university and college partners, resulting in the Agency hiring a total of 189 students in 2002–03. The CFIA also supported the Science Horizon Program (under the Youth Employment Strategy) by hiring four students to work on science-based initiatives, one of which was hired as a permanent employee. The Agency plans on hiring another five students under this

⁸ Groups found to be critical to the organization based on specialized skills development, availability and impact on fulfilling the Agency's mission.

initiative in 2003–04. Continuing its commitment to the hiring of students, the Agency has allocated a total of \$250 000 to the hiring of summer students in 2003. The expected result is to increase the number of students hired in the upcoming year to secure young talent for the Agency's future and to promote the Agency as an ideal employer.

Over the past two years, the Agency has instituted the Officer Training Program (OTP) to help build recruitment capacity and respond to our forecasted needs. In 2002–03, the Agency retained 23 out of the 25 officers in the first cohort of the program. Of these, 20 found positions in the scientific, professional and technical community with particular concentration in the agronomy, biology and inspection disciplines. The second cohort recruitment campaign, held in 2002–03, canvassed 27 universities and resulted in the receipt of 1160 applications. A total of 546 candidates were screened in, and 25 positions were subsequently filled. The majority of the recent graduates hold undergraduate and graduate degrees in science ranging from microbiology to animal science.

The success of the OTP program and the high retention rate for participants has required the Agency to review the program to ensure continued relevance, effectiveness and affordability. No OTP intake will occur in 2003–04. However, money will be devoted to internal development programs that are closely linked to succession planning. The CFIA will also review student and entry-level programs to ensure the continued delivery of high-quality workplace experiences.

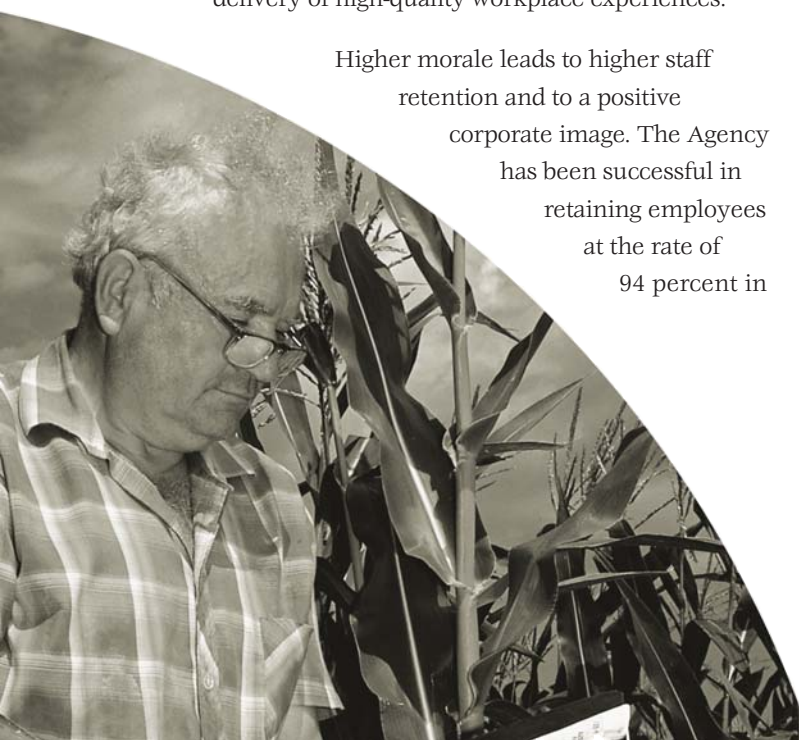
Higher morale leads to higher staff retention and to a positive corporate image. The Agency has been successful in retaining employees at the rate of 94 percent in

2001–02 and 92 percent in 2002–03. The scientific, professional and technical community, the Agency's core business, has experienced an even higher rate of retention (94 percent) with the highest retention rate in the scientific researcher (SE), chemist (CH) and veterinarian (VM) groups, at 98 percent, 97 percent and 95 percent respectively. The Agency can, in part, attribute its high retention rate to a focus on wellness programs, including the Employee Assistance Program and flexible working arrangements. Given the increased pressure to recruit and retain a highly capable workforce, the CFIA will continue to look at what can be done to improve employee satisfaction and workplace well-being. The Agency is working on a Wellness Strategy, which is expected to result in improved employee health morale. Key components of the Wellness Strategy will be based on the Agency-wide employee survey and quarterly HR measures reports, which are key to the identification of problem areas.

In February 2003, senior management recommended that the Agency undertake a CFIA-wide employee survey to gather employees' opinions on workplace issues. The information collected will provide the Agency with benchmark information related to employee satisfaction and will allow for improved planning of programs, strategies and services to best meet employee needs. The survey content will mirror that of the 2002 Public Service-Wide Employee Survey questionnaire and will take place in fall 2003.

Beginning in 2003–04, quarterly HR measures will be introduced to track absenteeism, attrition, workplace accidents and other indicators of wellness. These indicators serve as good starting points for a program that is focused on more proactive measures.

The CFIA has created a culture that emphasizes respect and appreciation of individuals through its Reward and Recognition Program, which has been in existence for more than five years. Having one's efforts recognized is a dominant factor in increasing employee job satisfaction and retention. The Agency recognizes the significant achievements of employees across the country using formal and informal mechanisms that are both internal and external to the CFIA.



Over 75 employees were recognized under the President's National Awards, the highest level of recognition within the CFIA. In celebration of the Queen's Golden Jubilee more than 85 employees were granted the commemorative medal for their significant contribution to their fellow citizens, their community and our country. Agency employees were also recognized under the Treasury Board Secretariat's Head of the Public Service Award and Award of Excellence for their outstanding contributions.

The following corporate initiatives build awareness and capacity of the Agency's values-based approach to HR management and are aimed at providing information, policies and tools to hiring managers, to ensure they understand the flexibilities available to assist them in recruiting strategically.

In 2002-03, the Agency developed and approved a new Staffing Accountability Policy outlining managers' authorities and accountabilities for undertaking staffing processes and decisions in accordance with CFIA policies and values and relevant legislation. This new policy sets the groundwork for all other staffing-related policies and will make managers more aware of their responsibilities with respect to staffing. In addition, the Agency has continued its research and development of a CFIA electronic staffing manual in 2002-03. In June 2002, the CFIA created and launched another online staffing tool called "Values in Action," to guide staffing processes, support organizational values and principles, and assist managers in applying the staffing values of competency, fairness, openness, non-partisanship, representativeness, equity and effectiveness.

The Agency continued its consultations between management and bargaining agents at the local, regional and national level to

ensure effective labour/management relations. In addition, in the coming year, the Agency plans to develop a Consultation Policy to formalize an approach to union/management consultations. The Agency is preparing for the introduction of the new *Public Service Labour Relations Act*, which will have a significant impact on labour relations activities at the Agency. There will be extensive consultations with the unions prior to the implementation of the Act. The Agency's redress mechanism is available to employees and grievances are filed in accordance with collective agreements. The total number of grievances received declined by 45 percent in 2002 compared with 2001; collective agreement grievances, which accounted for 75 percent of all grievances in 2001, declined to 55 percent in 2002. CFIA management continues to work with staff and union representatives to maintain good employer/employee relations.

Collective agreements were signed with the Professional Institute of the Public Service of Canada and representatives from CFIA management in 2002, giving employees in the scientific and analytical (S&A) group and veterinary medicine group (VM group) improved benefits and pay. A tentative agreement reached for the informatics (IN) group was ratified. Notice to bargain has been served by the Public Service Alliance of Canada, and negotiations commenced at the end of May 2003.

Continue to Build a Supportive Work Environment

In this highly complex and dynamic work environment, CFIA continues to build a professional and inclusive workplace for all of its employees. The Agency has worked hard to ensure that its employees feel valued and safe and that they are equipped with the appropriate tools to carry out their work. In a highly operational organization, such matters are of paramount importance. The following initiatives have been developed to advance the Agency's commitment to providing a supportive work environment.



To outline the Agency's expectations within the work environment, a Code of Conduct is being developed; it is intended to help employees understand the rules and standards of conduct which are desirable to achieve the goals of the CFIA. It will provide direction in situations where the right course of action may not always be clear. A Discipline Policy, which motivates employees to accept CFIA's rules and standards of conduct, is also under development. The policy also contributes to public confidence in the integrity of the CFIA and its employees. It is intended that both the Code of Conduct and the Discipline Policy will be finalized and released in the upcoming year.

During 2002–03, the Agency finalized the development of the Staffing Recourse Policy with an effective date of April 1, 2003. Of the 177 staffing complaints the Agency received since the inception of the Staffing Complaint Policy, 28 complaints remained unresolved as of March 31, 2003. Staffing complaints initiated through recourse rights provided under the previous Staffing Complaint Policy that have not been resolved as of April 1, 2003, will now be subject to this new policy and the associated *CFIA Guidelines for Transition to the CFIA Staffing Recourse Policy*. The Staffing Complaint Policy was reviewed and the recourse policy was then streamlined to optimize effectiveness and efficiency, and reflect CFIA values and principles. The policy provides a consistent standard for reviewing staffing complaints, a staffing recourse process with specific timeframes to expedite the resolution of staffing complaints and the provision for an independent third-party review of the staffing complaint.

The CFIA experienced a significant decline (35 percent) in the total number of harassment complaints received in 2002 compared with 2001. The Agency also issued its new policy on Prevention and Resolution of Harassment in the Workplace on April 1, 2003. The new policy places greater emphasis on the prevention of harassment, its prompt resolution and the promotion of alternative methods to deal with conflict in the

workplace. The Agency now requires mediation services to be provided to parties in a dispute, with the objective of resolving complaints and workplace issues much earlier in the process. An important element of the revised policy is the recognition that CFIA employees may be subject to harassment from regulated parties and assures employees that management is responsible for taking corrective measures.

The CFIA is committed to providing a safe and healthy working environment for all of its employees. To ensure that managers and employees understand the complexities of safety and health legislation, policies, standards and guidelines, as well as their rights and responsibilities related to safety and health in the workplace, a *Practical Guide to Occupational Safety and Health* (OSH) was developed and distributed nationally. To establish and maintain effective OSH prevention programs pertinent to the Agency's operations and to minimize the hazards that employees are exposed to in the conduct of their duties, a template and methodology have been developed and are currently being used for undertaking the task of completing job hazard analysis. In addition, a training module has been developed and, pending approval from the National OSH Committee, is expected to be disseminated by fall 2003. Work-related injuries have remained relatively stable with a four-year average of 265 injuries per year, which can, in part, be attributed to significant progress made in building occupational safety and health capacity and awareness among employees and managers.

In an effort to have an inclusive workforce, the Agency has continued to focus its priorities on increasing its representation and reinforcing its commitment to official languages. The representation of francophones at the Agency remained relatively unchanged since last year, at 26 percent compared to 23 percent for the overall Canadian population (2001 Census).

As of March 31, 2003, the Agency's representation rate is below the Labour Market Availability (LMA) in three of the four designated groups. However, the actual proportion of departures of the same three groups was lower than expected according to the LMA statistics. This indicates that the Agency is retaining at a higher rate than expected. Nevertheless, the CFIA must increase its representation through recruitment efforts. The following table depicts the Agency's representation rate compared to the LMA:

Employment Equity Designated Groups	Percent of Labour Market Availability (derived from Statistics Canada Census 1996 and 1991 HALS)	Percent of CFIA Workforce	
		March 31 2002	2003
Women	44.6	44.7	44.9
Aboriginal Peoples	1.7	1.6	1.5
Persons with Disabilities	4.6	3.2	2.9
Visible Minorities	8.6	6.9	6.6

To address these gaps, the Agency has completed an Employment System Review that has identified some barriers that could be affecting the representation of the four designated groups. However, the review did not provide sufficient explanations for the under-representation found in each of the occupational groups and further work is required to address these specifics. Once this process is completed, the Agency will develop an Agency Employment Equity Plan to address the 12 requirements of the employment equity framework, to be in compliance with the *Employment Equity Act* and to reflect Canada's rich ethno-cultural society. The Agency is expected to be in full compliance with the *Employment Equity Act* by the end of the 2003-04 fiscal year.

To further support the employment equity initiative, a restructuring and streamlining of the Agency's Employment Equity Councils took place in 2002-03. The expected result of the restructuring is to enable Council activities to become increasingly reflective of Agency priorities and to enable all CFIA Areas to implement Area-specific employment equity activities that would cascade from the priorities of Area management teams.

In keeping with the Agency's focus on results-based management, the President has established clear accountabilities for Executive performance, which will form the cornerstone of the Agency's performance evaluation framework. The intention is to ensure that commitment to results, linked to business objectives, begins at the most senior level and is carried out by all employees. To enable a more accountable assessment of Executive performance, a mid-year review of Executive Performance Agreements was conducted this year to ensure quality in the identification of key commitments and performance measures, including employment equity, official languages, and occupational safety and health.

In an effort to get a clear picture of the demographic make-up of the Agency, the CFIA continues to produce and improve upon a detailed statistical report that includes trend analysis on HR performance indicators. The report provides managers with insight into workforce trends at the national, Area and branch levels to plan for future HR needs and, where applicable, reflect back on historical data. This information is used on a regular basis by managers for a variety of reasons, including carrying out HR planning.

To support CFIA-specific classification needs, the Agency has initiated the development of classification standards for evaluating the work of its veterinarian, scientific and analytical communities. The standards are expected to evaluate scientific, analytical and veterinarian work mandated by the *CFIA Act* and other legislation enforced by the Agency. The four Treasury Board classification standards that are being

used currently cannot fulfil this function. The new standards will reflect the Agency's values in the evaluation of work and be more up-to-date than the standards now being used. The implementation of the VM standard is scheduled for December 2003 followed by the Scientific and Professional standard in the following year.

Conclusion

In keeping with efforts to integrate business and HR planning, in 2002–03, HR Branch worked closely with the Corporate Business Planning team to develop a new Business Plan and an accompanying HR Strategy. The new HR Strategy will provide an HR management vision for the next five years that is more disciplined and more demanding. The strategy was developed in consultation with employees and managers across the country and reflects the results of an environmental scan of internal and external factors influencing HR management in the future. It is in line with the direction of the new 2003–08 *Corporate Business Plan* and will focus on four key strategic priorities: effective leadership, a productive workforce, an enabling work environment and a sustainable workforce. It is expected to be released in fall 2003 and the Agency will be reporting progress achieved in 2003–04 against these four HR strategic priorities.

While it is vital that the Agency set out a plan for HR management over the coming years, that plan is effective only if it is put into action. In 2002–03, the Agency further developed its performance management system to enhance the capacity to report meaningful results for Canadians. HR Branch was involved in this change process and in the next fiscal year will adjust its HR performance measurement framework to be in line with the Agency's performance management system. This is expected to result in improved performance measurement capacity and ability to report on the results of the Agency's HR management.

3.7 MODERN MANAGEMENT INITIATIVES

In line with the Government of Canada's Modern Comptrollership Initiative, the CFIA has committed to ongoing modernization and improvement of its management practices. In 2002, the CFIA established a Modern Management Initiatives Office to facilitate the integration of modern management principles throughout the organization. In the fall of 2002, the Agency completed a Modern Comptrollership Capacity Assessment. To continue to make progress in this area and to address areas for improvement noted in the capacity assessment, the CFIA is developing a *Modern Management Improvement Action Plan*, which will be launched in the fall of 2003. This action plan will integrate and build on a number of key initiatives that were initiated in 2002–03, or in previous years. The action plan will also support the Agency's strategic goal of providing sound agency management, as described in the CFIA's 2003–08 *Corporate Business Plan*.

An Enhanced Performance Management Framework

As highlighted in the 2002 capacity assessment and in the Auditor General's assessment of the CFIA's Annual Reports, better performance measurement is needed at the Agency. Last year, significant efforts were devoted to this area, and the CFIA developed a results-oriented performance management framework. For each of the Agency's three business lines, key activities and desired outcomes were confirmed and linkages to the overall benefits to Canadians were established. Performance indicators were also identified.

From January to March 2003, three pilot projects were undertaken to validate and enhance the Performance Management Framework and to assist in the planning for implementation. The CFIA expects that 2003–04 will see the development of improved strategies for data collection, management and reporting, and further progress on implementation.

An Integrated, Risk-Based Planning Framework

For the CFIA, strategic planning and accountability are critical components of sound Agency management. They define what the CFIA should accomplish and why that is important, as well as demonstrating the Agency's commitment to take responsibility for its expected performance. Last year saw progress toward the Agency's goal of developing a more integrated, risk-based planning framework. The Agency's Performance Management Framework provided an improved foundation for the CFIA's planning processes. The development of the CFIA's 2003–08 *Corporate Business Plan* and 2003–04 RPP benefitted from the engagement of senior management and increased horizontal discussions across the branches. Improvements to the Agency's overall planning included a better alignment of CFIA objectives with key Government of Canada priorities and results for Canadians. The Agency also continued to reinforce the linkages between planning, performance measures and reporting.

Improved Financial Management

In response to the need for improved managerial information and enhanced corporate stewardship within the CFIA, a number of initiatives have been undertaken to build on the success of the CFIA's conversion to accrual accounting. In 2002–03, the Agency developed a Web-based manager's financial reporting tool to improve overall decision making by providing key budget forecasting and accrual reports at each manager's desktop. This initiative will provide managers with better tools and techniques to help carry out their financial management functions and will also lead to a more consistent approach, resulting in more reliable financial reporting information.

The launch of the manager's reporting tool is expected to take place in 2003–04, following the implementation of an employee training plan.

Capital Assets—Financial Challenges and Risks

The Agency owns and operates a number of major laboratory facilities located across Canada. Because of their age and constant need to update these facilities, ongoing capital is required. The annual depreciation, as shown in our financial statements, is approximately \$19 million. In 2002–03, the CFIA's annual capital budget was \$16.8 million. To manage this ongoing capital need, the Agency is undertaking a capital development strategy to be completed in the 2003–04 fiscal year. This strategy will allow the CFIA to prioritize future capital requirements.

Strengthened IM/IT Capacity to Support Business Priorities

Information management and information technology (IM/IT) tools play a critical role in supporting sound Agency management. The CFIA's management of IM/IT will continue to be driven by the information requirements of the business lines to support effective decision making and efficient program delivery. The CFIA recognizes that governance of IM/IT is inseparable from overall business planning and has developed an IM/IT framework in order that investments in these areas are aligned with the Agency's corporate priorities. This improved alignment was demonstrated in last year's preparation of the CFIA's 2003–08 IM/IT Strategy, the 2003–08 Long Term Capital Plan and the 2003–04 IM/IT Workplan.

In 2002–03, the CFIA focused on the continued development of projects that will enhance the management of information and improve performance reporting within the Agency's three business lines including, for example: the Multi-Commodity Activities Program, the Laboratory Sample Tracking System, the Export Certification System, the Import Control and Tracking System, the Crisis Information Management System, the Canadian Animal Disease Emergency Management System and the Environmental Management Information System. To enhance the Agency's IM/IT infrastructure, development also continued last year on the Desktop Modernization Project, the Server Modernization Project and the Enhancement and Modernization of Information Management Project.



4.0 OUR FIRST FIVE YEARS AS AN AGENCY—LOOKING BACK, PLANNING AHEAD

Sound planning extends well beyond an annual time horizon. Beginning in 1997, the CFIA planned around a three-year timeframe to integrate the resources from four different departments and make the transition to Agency operations. The Agency's initial *Corporate Business Plan* (1997–2000) established the strategic direction and business priorities for three years and set out four business priorities: effectiveness and efficiency of the inspection system, market access, consumer protection and intergovernmental cooperation.

The *Business Plan Update* of 2000–2002 articulated the move to the three business lines of today. In addition, the initial linkage of the business lines to key results was laid out. A number of cross-cutting initiatives were identified at that time as well, including: modernizing legislation and regulations; improving science and technology capacity; addressing biotechnology issues and promoting environmental initiatives; creating an integrated, science-based international regulatory framework; engaging others; effective communication; sound HR management; and sound information and financial management.

The Agency has made demonstrable progress in several areas identified in both the *Corporate Business Plan* and the *Business Plan Update*. For example, since its creation in 1997, the CFIA has achieved its targets for resource savings; consolidated and upgraded its food safety emergency response, recall and consumer protection activities; improved its enforcement procedures; consolidated its laboratory services; and continued to deliver food inspection programs that are well regarded by Canadians and foreign countries and to meet the expectations associated with some 1500 international agreements and protocols dealing with foreign country requirements and export certification arrangements.

The Agency also identified intergovernmental cooperation as a priority in its 1997 *Corporate Business Plan*. On a multilateral basis, federal, provincial, territorial and municipal governments continue to work toward an integrated Canadian food inspection system that is responsive to both consumers and industry. Since 1997, significant progress has been made with respect to federal, provincial and territorial agreements, standards and codes of practice related to food safety. The Agency continues to support these important initiatives.

Also identified in the following are initiatives where progress has been less than expected as the Agency managed its priorities within its resource base. For example, the CFIA's first *Corporate Business Plan* (1997–2000) introduced the concept of an Integrated Inspection System that would merge existing inspection programs into an all-encompassing science-based system. In the ensuing years, the CFIA re-focused its efforts in this regard toward the harmonization of the inspection approaches undertaken by the various programs, such as import control systems and audit and verification protocols. A particular challenge in this area has been the fact that regulated industries are at varying stages in their movement toward the adoption of science-based risk management practices. The CFIA's 2003–08 *Corporate Business Plan* describes the Agency goal of increasing, over the next five years, the number of federally registered establishments with fully implemented, science-based, risk management programs.

Delivery of services by the CFIA in a risk-based and cost-effective manner remains a top priority for the Agency. The Agency promotes effective and efficient use of Agency resources through its ongoing efforts to improve planning, redesign programs and streamline operations. The CFIA has initiated a process of integrated, risk-based planning based on the Treasury Board Secretariat of Canada's Integrated Risk Management Framework. The process involves development of a corporate risk profile, leading to the identification of corporate priorities, operational work plans and performance management agreements for senior managers.

The CFIA is also continuing in its efforts to implement a Performance Management Framework to align its activities and outputs to each of the three business lines in terms of key results, strategic outcomes and associated benefits for Canadians. The next phase of this initiative includes the development or enhancement of information systems to collect, analyse and report on program information more effectively.

The CFIA's first years as an agency were occupied with significant food safety, plant pest and animal health emergencies, along with resource challenges and organizational change. In the upcoming years, the CFIA will face new challenges with respect to increasing demands for services, the need to renew its workforce and enhance scientific capacity, and the need to tighten security and prepare for emergencies. In early 2003, the Agency consulted widely with key stakeholders—employees, industry and consumer stakeholders, and government partners—to identify the changes and actions required for the CFIA to continue to meet the needs of Canadians. The Agency's 2003–08 *Corporate Business Plan* sets out the CFIA's response to these challenges with five strategic goals:

- protecting Canadians from preventable health risks;
- delivering a fair and effective regulatory regime;
- sustaining the plant and animal resource base;
- promoting the security of Canada's food supply; and
- providing sound agency management.

Each of these goals supports established Government of Canada priorities and provides key benefits for all Canadians. For more information on the CFIA's 2003–08 *Corporate Business Plan*, please visit the Agency's Web site at:

www.inspection.gc.ca



5.0 AUDITOR GENERAL'S ASSESSMENT OF PERFORMANCE INFORMATION



AUDITOR GENERAL'S ASSESSMENT of Performance Information in the 2002-2003 Annual Report

*To the President of the Canadian Food Inspection Agency
and the Minister of Agriculture and Agri-Food*

PURPOSE AND SCOPE

The *Canadian Food Inspection Agency Act* requires the Auditor General to assess the fairness and reliability of the performance information in the Agency's annual report with respect to the annual and overall objectives established in its corporate business plan.

The corporate business plan and the performance information in the annual report are the responsibility of the Agency's management. My responsibility is to provide an assessment of the fairness and reliability of the performance information in the Agency's 2002-03 Annual Report. To do so, I assessed the information against the criteria described in Annex 1 for fairness and reliability, which were discussed with the Agency. I conducted my assessment in accordance with the standards for assurance engagements established by the Canadian Institute of Chartered Accountants. The assessment included an analysis of the information and an examination on a test basis of the evidence supporting that information. I conducted my assessment to obtain an audit level of assurance for the relevant, meaningful, attributable, and balanced criteria. However, I conducted my assessment work to support a review level of assurance for the accuracy criterion. I did not assess or comment on the Agency's actual performance.

My assessment relates to the performance information contained in the report and not to information referenced by Web site links.

CONCLUSION

In my opinion, while several good improvements have been made this year, overall the information on the performance of the Agency does not yet adequately meet my expectations for fair and reliable reporting.

SUMMARY ASSESSMENT

The following are some of the key observations against the criteria for fair and reliable reporting, excluding the human resources performance information, which is discussed separately.

Relevant

The role of the Agency is clearly outlined. I am pleased that the performance information generally covers all aspects of the context within which the Agency operates. It also includes information on some of the external factors that the Agency must manage in delivering its services, including such matters as increased globalization and demand for services. In addition, the Agency has spent considerable effort to develop logic models to provide structure in telling its performance story in relation to strategic outcomes and key results.



More outcome information is needed and better explanations are required. For a number of key results, there is a focus on activity information with a lack of outcome measures. An example of this is the Agency's description of its education and awareness activities. In addition, in many cases where outcomes are reported, the Agency does not clearly explain the importance of that information. This weakness limits the relevance of the performance information in assessing the Agency's performance.

More cost information is required. This year, the Agency reports the current year's cost of each of the three business lines and major programs. However, there is no information or analysis related to the total cost of operations over time. For example, the net cost of the Agency's annual operations has increased fifty-six percent from \$324 million in 1998-99 to \$506 million in 2002-03. It is difficult to determine how this additional \$182 million in net costs relates to the business lines and programs. In addition, there is no reporting or analysis of actual costs against planned costs to deliver the Agency's services either in terms of total costs or by individual business line or program.

Meaningful

The compliance-based approach is explained. This year, the Agency has clearly reported that it strives to promote 100 percent compliance with regulatory requirements and strives for year over year improvements in cases where it is less than 100 percent. In most cases, actual compliance rates are less than 100 percent.

More explanations are required on performance trends and gaps. The Agency does not consistently compare current and previous years' compliance rates. Nor does the Agency generally provide a meaningful interpretation of the gap between actual performance and expected performance, and its strategy for year over year improvements.

Performance is not compared against expectations in all cases. The performance information lacks clear and concrete expectations in several key result areas. An example of this is the meat industry's adoption in federally registered establishments of hazard analysis critical control point (HACCP) systems. In 2002-03, the Agency reports that 58 percent of federally registered meat facilities now have this recognition. This is an increase of thirty facilities or 10 percent in 2002-03 from the year before. Without targets for this indicator and no discussion of actual results against planned results it is difficult for Canadians to hold the Agency accountable for its performance in promoting the implementation of HACCP.

Attributable

It is difficult to determine the Agency's contribution to reported results. The Agency has included general information on various partners that work with it to achieve its mandate. However, overall it is difficult to determine the Agency's contribution to most of the reported results. The influence of industry, other government organizations, consumer and interest groups, and the Agency in achieving key results (for example, industry compliance rates) is not consistently addressed. I encourage the Agency to continue to work on clarifying its contribution and that of its partners with respect to the reported results.



Accurate

Limitations of the reported information are outlined in some cases. In this year's food safety business line, the Agency improved its disclosure by describing the limitations of the data including its reliability and availability. For example, the report notes that in the dairy program, national compliance rates for the Agency's microbiological sampling are not available. In addition, the performance information indicates that available establishment compliance rates are not fully validated including reported compliance rates for: meat slaughter and processing; fish and seafood processing; and fruit and vegetable processing. The Agency has committed to the development of improved strategies for data collection, management and reporting in 2003-04.

More information is required on the validity of reported information. The performance information generally does not discuss the statistical validity and variability of the information. For example, the Agency has reported as a new indicator of its performance, the number of inspections carried out versus the number planned (verification delivery rate). In the meat hygiene program, the Agency carried out 35 percent of its planned partial audits of facilities that are recognized as having a food-safety enhancement program in place. There is insufficient discussion of any impact of the actual number of audits, which are significantly less than planned levels, upon the validity of reported outcomes (e.g. compliance rates), and the strategies to address this challenge.

Additional work remains to implement quality assurance. This year we noted that the Agency has made improvements in its quality assurance function in verifying the accuracy of the information that is reported. However, the Agency has more work to do to develop and implement a fully satisfactory quality assurance function.

Balanced

There is improved balance in reporting upon performance. I am pleased that this year the performance information has improved balance in reporting results (e.g. compliance rates, verification delivery rates) that the Agency identifies as either satisfactory or unsatisfactory and, to some extent, indicates areas where greater effort is required.

More information on risks and challenges is needed. In some cases, the level of explanation surrounding significant risks and challenges is incomplete including, for example: emergency funding issues; resource challenges; the mandate of Health Canada in evaluating the Agency's food safety activities; and more specific information on challenges related to the Agency's information systems.

PERFORMANCE INFORMATION ON THE AGENCY'S HUMAN RESOURCE MANAGEMENT

The human resources performance information is fair and reliable. Based upon my assessment, I believe that the human resources performance information reasonably meets my expectations for fair and reliable reporting. The information in this year's report related to human resource management has improved over that of previous years. The Agency continues to produce corporate reports on important human resource trends in order to monitor performance and to identify key risk areas. The methods the Agency is implementing to collect and report training and



employee satisfaction information should improve its capacity to report against human resource objectives and to identify areas of risk for the Agency.

However, further improvements in the reporting of this information are desirable. For example, greater consistency in the reporting of precedent, actual, and expected results would provide a more meaningful assessment of human resource-management performance.

IMPROVING THE AGENCY'S PERFORMANCE REPORTING

In this - the Agency's sixth year of reporting on its performance - I noted improvements in various aspects of reporting, including: development of the performance management framework; improved balance in disclosure of performance; transparency related to the quality of data; enhanced description of the Agency's role in the various sectors; and a better description of the compliance-based approach.

I was particularly pleased to note that this year the Agency reported the results related to a key-pilot initiative to improve its performance reporting in the meat hygiene and fish programs. The Agency has reported the results of these programs including information that more closely captures the spirit of fair and reliable reporting. There is much work left to be done in completing the pilots, including refining the indicators and targets, and expanding data collection and analysis. This is an indication that the Agency is on a path to improved performance reporting in future years. I encourage the Agency to continue to implement its performance framework building on the results of its pilots.

The Agency needs to improve the usefulness of its performance information to better serve as an accountability document. This could be accomplished by focusing on: reporting on outcomes as opposed to activities; providing clear and concrete performance expectations; discussing gaps between actual and expected performance, including planned action to improve performance; enhancing description of the significance of the performance information; improving financial information; and reporting more comprehensive descriptions of risks and challenges.

In 2003-04, I would like to see the Agency's efforts result in performance information that comes closer to reasonably meeting my expectations for fair and reliable reporting.

Sheila Fraser, FCA
Auditor General of Canada

Ottawa, Canada
November 7, 2003



Annex 1

Criteria for the Assessment of Fairness and Reliability Office of the Auditor General

The following criteria were developed to assess the fairness and reliability of the information about the Agency's performance with respect to the objectives in its corporate business plan. Two major concerns were addressed: Has the Agency reported on its performance with respect to its objectives? Is that information fair and reliable? Performance information with respect to objectives is fair and reliable if it enables Parliament and the public to judge how well the entity or program in question is performing against the objectives it set out to accomplish.

Relevant	The performance information reports in context, tangible, and important accomplishments against objectives and costs.
Meaningful	The performance information tells a clear performance story, describing expectations and benchmarks against which performance is compared.
Attributable	The performance information demonstrates, in a reasonable fashion, why the program made a difference.
Accurate	The performance information adequately reflects the facts, to an appropriate level of accuracy.
Balanced	A representative yet clear picture of the full range of performance is presented, which does not mislead the reader.

More information on the criteria is available on our Web site at www.oag-bvg.gc.ca.

6.0 FINANCIAL PERFORMANCE

Management Responsibility for Financial Reporting

The management of the Canadian Food Inspection Agency (the "Agency") is responsible for the preparation of all information included in its financial statements and Annual Report. These reports are legislated requirements as per Section 23 of the *Canadian Food Inspection Agency Act*. The accompanying financial statements have been prepared in accordance with the Canadian generally accepted accounting principles as per Section 31 of the *Canadian Food Inspection Agency Act*. The significant financial statement accounting policies are identified in note 2.

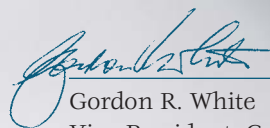
Management is responsible for the integrity and objectivity of the information in these financial statements. Some of the information in the financial statements is based on management's best estimates and judgement and gives due consideration to materiality. To fulfil its accounting and reporting responsibilities,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

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

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



Richard B. Fadden
President



Gordon R. White
Vice-President, Corporate Services

Ottawa, Canada, August 8, 2003



AUDITOR'S REPORT

To the President of the Canadian Food Inspection Agency and
the Minister of Agriculture and Agri-Food

I have audited the statement of financial position of the Canadian Food Inspection Agency as at March 31, 2003 and the statements of operations, equity of Canada and cash flows for the year then ended. These financial statements are the responsibility of the Agency's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Agency as at March 31, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Sheila Fraser, FCA
Auditor General of Canada

Ottawa, Canada
August 8, 2003

CANADIAN FOOD INSPECTION AGENCY

Statement of Financial Position

As at March 31
(In thousands of dollars)

	2003	2002
Assets		
Current assets:		
Cash entitlements	\$ 62,288	\$ 44,851
Accounts receivable	7,383	8,125
Consumable supplies	981	931
	70,652	53,907
Property, plant and equipment (note 4)	189,307	182,809
	\$ 259,959	\$ 236,716

Liabilities and Equity of Canada

Current liabilities:		
Accounts payable and accrued liabilities	\$ 62,445	\$ 56,875
Vacation pay	22,635	20,590
Deferred revenue (note 5)	1,924	1,905
Current portion of employee severance benefits	5,170	3,356
	92,174	82,726
Employee severance benefits	56,284	49,924
Equity of Canada	111,501	104,066
	\$ 259,959	\$ 236,716

Commitments and contingencies (note 11)

The accompanying notes are an integral part of these financial statements.

Approved by:



Richard B. Fadden
President



Gordon R. White
Vice-President, Corporate Services

CANADIAN FOOD INSPECTION AGENCY

Statement of Operations

Year ended March 31

(In thousands of dollars)

	2003	2002
Revenue:		
Fees, permits and certificates:		
Inspection fees	\$ 42,366	\$ 39,491
Registrations, permits, certificates	8,634	7,845
Miscellaneous fees and services	5,107	2,989
Establishment licence fees	1,854	2,034
Grading	244	261
Other:		
Administrative monetary penalties	562	607
Interest on overdue accounts	67	172
Gains on disposal of property, plant and equipment	423	6
Total revenues	59,257	53,405
Expenses:		
Operating and administration:		
Salaries and employee benefits (note 6)	407,590	383,123
Professional and special services	40,900	33,638
Travel and relocation	21,665	22,854
Amortization of property, plant and equipment	19,372	16,391
Accommodation	18,033	15,565
Utilities, materials and supplies	16,958	14,701
Furniture and equipment	13,408	9,196
Repairs	9,282	10,531
Communication	7,526	5,697
Information	1,249	3,259
Equipment rentals	1,977	1,736
Miscellaneous	1,046	65
	559,006	516,756
Grants and contributions:		
Compensation payments (note 8)	4,649	24,394
Other	1,913	1,304
	6,562	25,698
Total expenses	565,568	542,454
Net cost of operations	\$ (506,311)	\$ (489,049)

The accompanying notes are an integral part of these financial statements.

CANADIAN FOOD INSPECTION AGENCY

Statement of Equity of Canada

As at March 31

(In thousands of dollars)

	2003	2002
Equity of Canada, beginning balance	\$ 104,066	\$ 116,887
Net cost of operations	(506,311)	(489,049)
Parliamentary appropriations used (note 3):		
Operating	464,407	429,520
Capital	6,253	8,279
	470,660	437,799
Services provided without charge by other government departments (note 10)	43,086	38,429
Equity of Canada, ending balance (note 7)	\$ 111,501	\$ 104,066

The accompanying notes are an integral part of these financial statements.

CANADIAN FOOD INSPECTION AGENCY

Statement of Cash Flows

Year ended March 31

(In thousands of dollars)

	2003	2002
Cash provided by (used for):		
Operating activities:		
Net cost of operations	\$ (506,311)	\$ (489,049)
Non-cash items:		
Amortization of property, plant and equipment	19,372	16,391
Services provided without charge by other government departments	43,086	38,429
Gain on disposal of property, plant and equipment	(423)	(6)
Net change in non-cash working capital	8,326	2,890
Increase in employee severance benefits	8,174	11,932
	(427,776)	(419,413)
Investing activities:		
Acquisition of property, plant and equipment	(26,490)	(20,426)
Proceeds from disposal of assets	1,043	471
	(25,447)	(19,955)
Financing activities:		
Parliamentary appropriations—operating	464,407	429,520
Parliamentary appropriations—capital	6,253	8,279
	470,660	437,799
Increase (decrease) in cash entitlements for the year	17,437	(1,569)
Cash entitlements, beginning of year	44,851	46,420
Cash entitlements, end of year	\$ 62,288	\$ 44,851

The accompanying notes are an integral part of these financial statements.

CANADIAN FOOD INSPECTION AGENCY

Notes to Financial Statements

Year ended March 31, 2003

(Tabular amounts in thousands of dollars)

1. Authority and purposes:

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

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

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

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

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

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

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

The financial transactions of the Agency are processed through the Consolidated Revenue Fund. The Agency does not have its own bank account. The Agency's cash entitlements represent the amount that the Agency is entitled to withdraw from the Consolidated Revenue Fund, without further authority, in order to discharge its liabilities.

CANADIAN FOOD INSPECTION AGENCY

Notes to Financial Statements, page 2

Year ended March 31, 2003

(Tabular amounts in thousands of dollars)

2. Significant accounting policies:

The financial statements are prepared in accordance with Canadian generally accepted accounting principles as required under Section 31 of the *Canadian Food Inspection Agency Act*. Significant accounting policies are as follows:

(a) Parliamentary appropriations:

The Agency is mainly financed by the Government of Canada through parliamentary appropriations. Parliamentary appropriations provided and used for operating expenditures as well as those for capital expenditures are recorded directly to Equity of Canada.

(b) Revenue recognition:

Revenues for fees, permits and certificates are recognized in the accounts based on the service provided in the Agency's fiscal year.

Funds received from external parties for specified purposes are recorded upon receipt as deferred revenue. Revenue from external parties for specified purposes is recognized in the period in which the related expenses are incurred.

(c) Consumable supplies:

Consumable supplies consisting of laboratory materials, supplies and livestock are recorded at cost. The cost of the consumable supplies is charged to operations in the period in which the items are consumed.

(d) Property, plant and equipment:

Property, plant and equipment are recorded at historical cost or management's estimated historical cost less accumulated amortization. Amortization is provided on a straight-line basis over the estimated useful lives of the assets as follows:

Asset	Useful life
Buildings	20–30 years
Machinery and equipment	5–20 years
Computer equipment and software	3–10 years
Vehicles	7–10 years
Leasehold improvements	Lease term

Amounts included in assets under construction are transferred to the appropriate asset classification when completed and in use. These amounts are then amortized according to the Agency's policy.

CANADIAN FOOD INSPECTION AGENCY

Notes to Financial Statements, page 3

Year ended March 31, 2003

(Tabular amounts in thousands of dollars)

2. Significant accounting policies (continued):

(e) Employee severance benefits:

The Agency accrues its obligations and the related costs as the benefits accrue to employees. The Agency's liability for employee severance benefits is calculated using information derived from the results of the actuarially-determined liability for employee severance benefits for the Government as a whole.

Employee severance benefits on cessation of employment represent obligations of the Agency that are normally funded through parliamentary appropriations when the benefits are paid.

(f) Vacation pay:

Vacation pay is expensed as the benefits accrue to employees under their respective terms of employment.

The liability for vacation pay is calculated at the salary levels in effect at the end of the year for all unused vacation pay benefits accruing to employees.

Vacation pay liability payable on cessation of employment represents obligations of the Agency that are normally funded through parliamentary appropriations when the benefits are paid.

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

Estimates of amounts for employee benefits, accommodation and other services provided without charge by other Government departments are recorded as operating and administrative expenses by the Agency. A corresponding amount is credited directly to Equity of Canada.

(h) Contributions to Public Service Superannuation Plan:

The Agency's eligible employees participate in the Public Service Superannuation Plan administered by the Government of Canada. Both the employees and the Agency contribute to the cost of the Plan. Contributions by the Agency are expensed in the year incurred.

The Agency is not required under present legislation to make contributions with respect to actuarial deficiencies of the Public Service Superannuation Plan.

CANADIAN FOOD INSPECTION AGENCY

Notes to Financial Statements, page 4

Year ended March 31, 2003

(Tabular amounts in thousands of dollars)

2. Significant accounting policies (continued):

(i) Measurement uncertainty:

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Employee severance benefits, contingencies, the valuation of property, plant and equipment and amortization are the most significant items where estimates are used. Actual amounts could differ from the current estimates. These estimates are reviewed annually and as adjustments become necessary, they are recognized in the financial statements in the period in which they become known.

3. Parliamentary appropriations:

The Agency receives the majority of its funding through parliamentary appropriations, which are based primarily on cash flow requirements. Items recognized in the statement of operations and the statement of Equity of Canada in one year may be funded through parliamentary appropriations in prior and future years. Accordingly, the Agency has different net results of operations for the year on a government funding basis than on a Canadian generally accepted accounting principles basis. These differences are reconciled below.

(a) Reconciliation of net cost of operations to total parliamentary appropriations used:

	2003	2002
Net cost of operations	\$ 506,311	\$ 489,049
Less: items not requiring use of appropriations:		
Amortization of property, plant and equipment	(19,372)	(16,391)
Services provided without charge by other government departments	(43,086)	(38,429)
Gain on disposal of property, plant and equipment	423	6
	444,276	434,235
Proceeds from disposal of assets	(1,043)	(471)
Net changes in future funding requirements (note 7)	937	(16,391)
Acquisitions of property, plant and equipment funded by operating appropriation	20,237	12,147
Funded by operating appropriations	464,407	429,520
Acquisitions of property, plant and equipment funded by capital appropriation	6,253	8,279
Total parliamentary appropriations used	\$ 470,660	\$ 437,799

CANADIAN FOOD INSPECTION AGENCY

Notes to Financial Statements, page 5

Year ended March 31, 2003

(Tabular amounts in thousands of dollars)

3. Parliamentary appropriations (continued):

(b) Reconciliation of parliamentary appropriations voted to parliamentary appropriations used:

	2003	2002
Parliamentary appropriations—voted:		
Vote 30—Operating expenditures	\$ 415,092	\$ 369,176
Statutory contributions to employee benefit plans and compensation payments	65,129	75,108
	480,221	444,284
Vote 35—Capital expenditures	16,845	15,763
	497,066	460,047
Less:		
Lapsed appropriation—operating	(15,814)	(14,764)
Lapsed appropriation—capital	(10,592)	(7,484)
	(26,406)	(22,248)
Total parliamentary appropriations used	\$ 470,660	\$ 437,799

CANADIAN FOOD INSPECTION AGENCY

Notes to Financial Statements, page 6

Year ended March 31, 2003

(Tabular amounts in thousands of dollars)

4. Property, plant and equipment:

	2003			2002		
	Cost	Accumulated amortization	Net book value	Cost	Accumulated amortization	Net book value
Land	\$ 3,334	\$	\$ 3,334	\$ 3,334	\$	\$ 3,334
Buildings	243,142	118,480	124,662	236,764	110,830	125,934
Machinery and equipment	48,389	20,255	28,134	36,225	18,258	17,967
Computer equipment and software	33,091	17,821	15,270	26,470	12,207	14,263
Vehicles	22,999	12,065	10,934	19,874	12,001	7,873
Assets under construction	4,514		4,514	11,806		11,806
Leasehold improvements	3,910	1,451	2,459	2,201	569	1,632
	<u>\$ 359,379</u>	<u>\$ 170,072</u>	<u>\$ 189,307</u>	<u>\$ 336,674</u>	<u>\$ 153,865</u>	<u>\$ 182,809</u>

Net acquisitions of \$22,705,000 for the 2003 fiscal year (2002—\$15,139,000) include \$26,490,000 (2002—\$20,426,000) of additions and \$3,785,000 (2002—\$5,287,000) of disposals.

5. Deferred revenue:

The Agency conducts joint projects with external organizations related to food inspection and animal and plant health. Funds received from external organizations are administered through specified purpose accounts.

	2003	2002
Balance, beginning of year	\$ 1,905	\$ 1,412
Add: amounts received from external organizations	2,624	1,129
Less: revenues recognized in the year	(2,605)	(636)
Balance, end of year	\$ 1,924	\$ 1,905

CANADIAN FOOD INSPECTION AGENCY

Notes to Financial Statements, page 7

Year ended March 31, 2003

(Tabular amounts in thousands of dollars)

6. Employee benefits:

Included in salaries and employee benefits are the following expenditures paid by the Agency with respect to employee future benefits related to the Public Service Superannuation (PSSA) Plan and severance pay:

	2003	2002
Contributions to the PSSA	\$ 39,349	\$ 35,935
Employee severance benefits	\$ 2,438	\$ 1,838

The ratio of employer to employee contributions toward the PSSA is 2.6:1 (2002—2.6:1).

7. Equity of Canada:

Included in the total Equity of Canada of \$111,501,000 (2002—\$104,066,000) as at March 31 is \$77,806,000 (2002—\$78,743,000) which represents transactions, incurred by the Agency, to provide services with future funding requirements. The net change in future funding requirements is \$(937,000). Significant components of this amount are liabilities related to employee severance benefits and vacation pay liabilities. These will need to be funded by Treasury Board in future years as they are paid.

8. Compensation payments:

The *Health of Animals Act* and the *Plant Protection Act* allow for the Minister, via the Agency, to compensate owners of animals and plants destroyed pursuant to the Acts. During the year, compensation payments incurred pursuant to the *Health of Animals Act* totalled \$4,649,000 (2002—\$24,394,000).

9. Year 2000 repayable appropriation:

In order to finance the Agency's requirements with respect to the Year 2000 Government-Wide Mission-Critical Systems, the Agency negotiated an increase of its appropriation with the Treasury Board in the amount of \$15,400,000. The funding was to be used to finance the Agency's requirements to upgrade and/or replace existing systems, equipment, computer applications and infrastructure components that were not Year 2000 compliant.

CANADIAN FOOD INSPECTION AGENCY

Notes to Financial Statements, page 8

Year ended March 31, 2003

(Tabular amounts in thousands of dollars)

9. Year 2000 repayable appropriation (continued):

In total, the Agency has spent \$12,539,000 with respect to the Year 2000 Government-Wide Mission-Critical Systems. The remaining \$2,861,000 of the \$15,400,000 funding was used for expenditures of an operating nature.

The second of three equal annual consecutive installments in the amount of \$5,133,000 was repaid by the Agency in fiscal 2003 through a mandatory decrease in the Agency's parliamentary appropriations.

10. Related party transactions:

The Agency is related in terms of common ownership to all Government of Canada departments, agencies and Crown corporations. The Agency enters into transactions with these entities in the normal course of business and on normal trade terms applicable to all individuals and enterprises. In addition, the Agency has several agreements with Agriculture and Agri-Food Canada related to the operation of their finance and administrative systems and some administrative activities with Health Canada related to the operations and maintenance of the Winnipeg Laboratory.

Also, during the year, the Agency received utilities, rental of space and services which were obtained without charge from other government departments and agencies; the value of those services aggregated about \$43 million (2002—\$38 million).

The total value of services provided by related parties, including services provided without charge, totalled \$90 million (2002—\$91 million) and are included as expenditures in the Statement of Operations. These services have been provided by the following departments and agencies:

	2003	2002
Public Works and Government		
Services Canada	\$ 42,256	\$ 47,232
Treasury Board	25,877	24,765
Agriculture and Agri-food Canada	6,636	9,100
Health Canada	5,153	3,571
Department of Justice	3,218	1,520
Canada Customs and Revenue Agency	3,450	3,082
Other	3,356	1,464
	\$ 89,946	\$ 90,734

Accounts payable and accrued liabilities includes amounts payable of \$10,578,000 (2002—\$12,428,000) for services provided by federal departments and agencies. The amounts receivable from related parties totalled \$1,042,000 (2002—\$916,000) and are included in accounts receivable.

CANADIAN FOOD INSPECTION AGENCY

Notes to Financial Statements, page 9

Year ended March 31, 2003

(Tabular amounts in thousands of dollars)

11. Commitments and contingencies:

- (a) At March 31, 2003, the Agency had commitments relating to capital projects, operating leases and other agreements arising in the normal course of business. The minimum future payments are as follows:

	2004	2005	2006	Total
Capital projects	1,551	603	9	2,163
Operating leases	9			9
Other agreements	1,992	207		2,199
Total	3,552	810	9	4,371

- (b) The Agency is a defendant in certain cases of pending and threatened litigation which arose in the normal course of operations. The total determinable amount of claims has been estimated at \$194 million (2002—\$188 million). The current best estimate of the amount likely to be paid in respect of these claims and potential claims has been recorded. Management believes that final settlement will not have a material adverse effect on the financial position or results of operations of the Agency.
- (c) During the year, the Agency continued to conduct environmental assessments of its potentially contaminated sites and carried out remedial actions where required. The Agency completed an environmental assessment at its Lethbridge Laboratory where phases I and II were completed; remedial costs have been evaluated at \$430,000. The amount has been recorded as an expense in the Statement of Operations.
- Other sites are under evaluation where a monitoring program is in place to detect possible contaminants. Further evaluation is required to determine the presence of contaminants and any remedial costs, where applicable. However, management believes the amounts will not be significant.
- (d) The Agency does not carry insurance on its property. This is in accordance with the Government of Canada policy of self insurance.



ANNEX 1 FOOD SAFETY PERFORMANCE BY PROGRAM

1.1 MEAT HYGIENE

CFIA Role

Meat and meat products represent the Canadian food manufacturing industry's largest sector. Canadians on average consumed 30 kilograms (kg) of beef, 28 kg of pork and 35 kg of poultry in 2002.⁹ Canada imported 476 000 tonnes of meat last year and exported 1.8 million tonnes of meat worldwide. The CFIA inspects approximately 84 percent of domestically produced chickens and 95 percent of domestic red meat. The CFIA is also responsible for inspection of meat imported to, or exported from, Canada.

Description of the Program

The meat hygiene program was the single-largest program area of expenditure for the CFIA in 2002–03. Its delivery cost approximately \$176.3 million, or 31.2 percent of total Agency spending. Verification of compliance with federal acts and regulations required approximately 1470 staff including inspectors, veterinarians, laboratory personnel, support staff and management.

The CFIA verifies that the meat industry operates within regulatory requirements to ensure that meat and meat products leaving federally registered establishments are safe, wholesome and appropriately labelled. Under the authority of the *Meat Inspection Act*, the CFIA enforces meat inspection regulations and sets the policies, product and process standards (including inspection requirements) for meat and meat products, federally registered slaughterhouses and meat processing establishments, importers and storage facilities.

⁹ National Farm Products Council figures—Per Capita Protein Consumption 2002.

All establishments in Canada that process meat for export or interprovincial trade must be federally registered and must remain in compliance with the regulatory provisions of several federal acts. Provinces and territories have responsibility for meat that is produced in provincially licensed facilities.

Planned 2002–03 Activities and Performance

A key strategic outcome for the meat hygiene program is to encourage and assess the meat processing industry's compliance with federal rules and regulations. The CFIA assesses industry's level of compliance using a variety of indicators, such as the results of establishment inspections, audits and compliance verification, product testing, food safety recalls and enforcement actions.

Establishment inspections, audits and compliance verifications in federally registered establishments verify and promote industry's compliance with regulatory requirements. As of January 2003, 790 establishments¹⁰ were registered with the CFIA and included 127 slaughter facilities, 490 meat processing plants and 173 storage facilities. In addition, there were 54 provincial abattoirs inspected by CFIA inspectors under federal-provincial agreements. The meat hygiene inspection programs are currently in transition, moving from a traditional, hands-on inspection approach to a Hazard Analysis Critical Control Point (HACCP) audit approach.

The ratings indicate overall regulatory compliance of an establishment operator where "AAA," "AA" and "A" indicate that the establishment meets or exceeds the requirements of the *Meat Inspection Act or Regulations*. Establishments with a "B" rating are considered to be at the limit of acceptability, and those with a "C" rating are judged to be non-compliant with one or more provisions of the Regulations. In all cases, food produced by the establishments is required to meet established health and safety standards.

A sample of 516 establishment reports for 2002–03 was reviewed for ratings. Ninety percent (464) of the establishments maintained an "A" rating or better throughout the year; and 10 percent (49) received a "B" rating or lower at some point in the year. The CFIA requires that establishments rated "B" and "C" correct the deviations and, if there is a potential food safety risk, implement immediate corrective measures. Measures taken in "B" and "C" rated establishments include the development of detailed action plans to correct deficiencies and enhanced inspection oversight by CFIA personnel. Measures may also include suspension of selected operations within the establishment. Chronic inability of establishments rated "B" or "C" to correct deviations can lead to the cancellation of the operator's license to operate or registration of the establishment under the federal meat inspection system. An "F" rating results in the immediate suspension of all operations within the establishment until satisfactory corrective measures are implemented.

The CFIA is currently reassessing the status of establishments that demonstrated persistent non-compliance in 2002-03.

The modernized approach utilizes audits under the CFIA's Food Safety Enhancement Program (FSEP). It requires development, implementation and maintenance of HACCP systems in all federally registered meat and poultry establishments. FSEP verifications include audits of the food safety program of the slaughter or meat processing establishment.

When a facility is granted FSEP recognition, the CFIA switches from traditional methods of inspecting facilities, operations and products to audits of the HACCP system. A full system audit is completed during HACCP recognition, followed by partial audits thereafter. The frequency of auditing depends on food safety hazards, past compliance records and trade requirements.

¹⁰ During the year, the number of federally registered establishments may vary, as establishments close or new businesses are started. The number of federally registered establishments in March 2003 was 771.

Of the 624 (81 percent) registered establishments which had requested formal FSEP recognition by March 2003, and which are currently operating under HACCP procedures, 363 (58 percent) were granted formal recognition and 261 are in the process of obtaining recognition. There were 1316 partial audits planned for 2002–03, and 458 (35 percent) were completed. While the lack of FSEP audit delivery impacts on the rate of transition from traditional to FSEP-based inspection, it does not adversely impact food safety because all federally registered establishments undergo regular inspection by CFIA inspectors. Progress in this area has been slow, largely due to the resource intensiveness of the process and the need for additional CFIA staff training.

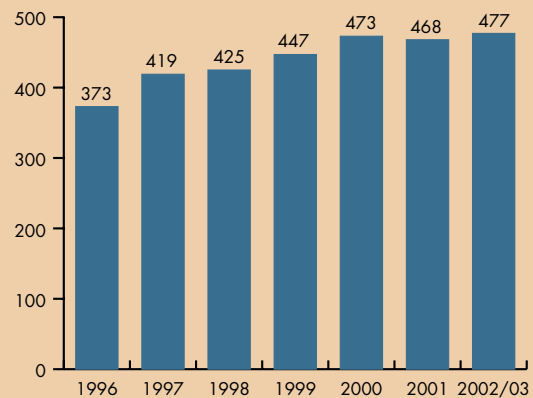
Training of CFIA inspection staff in FSEP procedures took place throughout the year. By the end of March 2003, 13 percent of all inspection staff had completed the four-course curriculum, which results in FSEP certification. The provision of FSEP training is a CFIA priority. In 2003-04, additional inspectors will be hired and trained to act as special teams to free regular inspectors for FSEP training.

In the poultry sector, the **Modernized Poultry Inspection Program** (MPIP) has been implemented, on a pilot basis, in 12 (20 percent) of the 59 federally registered poultry slaughter establishments in Canada. This is an increase of one from the previous year. Ongoing monitoring by CFIA on-site inspectors of the various MPIP pilots continues to demonstrate that industry employees trained and accredited as “defect detectors” are as effective in identifying and removing defective carcasses as CFIA inspectors. Furthermore, microbial tests indicate that MPIP provides the same level of assurance as traditional inspection methods. Negotiations with the United States Department of Agriculture (USDA) on the equivalency of MPIP are ongoing.

Imports: Meat and meat products may only be imported from countries approved by the CFIA. Incoming meat products must be certified by the importing country’s veterinarians and are subject to inspections by CFIA staff. Last year, approximately

476 000 tonnes of meat were imported from 20 countries, compared to 468 000 tonnes the previous year. Generally there is a high compliance rate due to the CFIA's close monitoring of animal health in the importing country, inspection system similarities and periodic (every two to five years) on-site reviews by CFIA inspectors. Of total imports last year, only 658 tonnes (0.14 percent) were rejected as unsafe for reasons such as contamination or compromised seams on canned products. Rejected products not removed from Canada within a prescribed amount of time were destroyed at the importer’s expense.

MEAT IMPORTS FOR LAST SEVEN YEARS IN 1000s OF TONNES



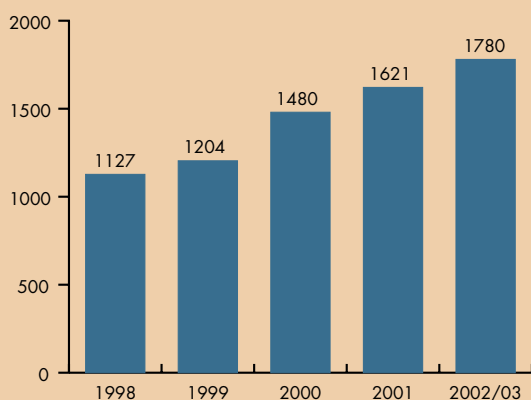
The CFIA establishes animal health status, inspection procedures and levels of enforcement in an importing country prior to undertaking on-site reviews. Last year, the CFIA visited 29 U.S. meat establishments as part of a meat inspection system review, of which 17 were rated as satisfactory, four were found unacceptable and eight were rated as critical and given 30 days to correct deficiencies. Meat inspection systems were approved in Brazil, while reviews were initiated in Australia for imports of kangaroo, Tasmanian possum, ostrich and possibly camel. An on-site visit was also conducted for imports of New Zealand ostrich meat. Ongoing foreign country reviews include Romania (canned pork imports), Paraguay (beef), Israel (poultry), the European Union and Hungary (goose fat and duck livers).

In 2002–03, restrictions were placed on the export of fresh boneless beef from Argentina after an outbreak of foot-and-mouth disease. Poultry meat and meat products from the United States were also restricted following an outbreak of Newcastle Disease in California.

Exports: With respect to the export of meat and meat products, the CFIA ensures industry meets the same high level of compliance for exported goods as for domestic products. Canada exported approximately 1.8 million tonnes of meat last year to 116 countries, compared to 1.6 million tonnes the previous year. Of the 2002–03 total, over 99 percent of exported meat products met other governments' food safety requirements, as measured by rates of permitted entry. The 735 tonnes rejected were due to reasons such as contamination, processing defects, weight violations or broken boxes. The high acceptance rate demonstrates a high level of confidence, both in Canada's regulatory system and in the safety and quality of Canadian meat and meat products.

In 2002–03, the CFIA worked with teams of inspectors from the United States and Russia who visited Canada to assess selected Canadian meat establishments. The United States reviewed 14 Canadian establishments and found 10 to be satisfactory and four that did not fully meet U.S. requirements. Russia audited 25 Canadian pork-producing establishments, of which 23 received export authorization.

MEAT EXPORTS FOR LAST FIVE YEARS IN 1000s OF TONNES



Product testing is conducted for chemical, microbiological and compositional hazards (e.g., undeclared additives) for domestic and imported meat and meat products.

Last year, a total of 109 384 laboratory tests were conducted for residue detection in meat products. On average, the rate of findings for levels in excess of the established maximum residue limits permitted in regulation was very low. The lowest compliance rate found was for antibiotic residue tests (96.9-percent compliance) conducted on-site in slaughterhouses. This is attributed to the fact that these tests are frequently performed on animals deemed suspicious by the CFIA veterinarian in charge of inspection.

Chemical residue monitoring is used to determine the presence of chemicals, such as antibiotics and other veterinary drug residues, growth promotants, pesticides and heavy metals, at levels that exceed maximum residue limits set by Health Canada to prevent adverse human health impacts.

Analysis of sampling data reveals that 11 097 domestic meat submissions were targeted for inclusion in the monitoring program in 2002–03. There were 10 713 domestic submissions sent for laboratory testing (96.5 percent of targeted number). Testing of imported shipments, which is conducted based on the importation profiles rather than predetermined volumes, resulted in the collection of 2643 additional lab tests. Activities in slaughter plants resulted in a further 14 816 laboratory submissions. In addition, 636 meat samples were included under the CFIA dioxin monitoring program.

On average, the rate of findings for levels in excess of the established maximum residue limits permitted in regulation was very low. The lowest compliance rate found was for on-site STOP tests (a rapid screening test for antibiotics) at 96.4-percent compliance. STOP tests are frequently conducted on animals that show signs of abnormalities as determined by the CFIA veterinarian in charge during inspection. These results are often positive, which could explain the higher number of positive samples for on-site STOP tests. These results are comparable to those of previous years. The following table summarizes the results where the number of samples was sufficient for statistical analysis:

MEAT HYGIENE CHEMICAL RESIDUE MONITORING TEST RESULTS

Test Program	Samples	Violations	Compliance Rate (%)
Albendazole	1 175	0	100.0
Anthelmintic	638	0	100.0
Antibiotic-STOP	3 520	125	96.4
B-agonists	1 385	0	100.0
Benzimidazoles	1 263	0	100.0
Cap Pretest	142	0	100.0
Carbadox	1 055	0	100.0
Carbamates	3 302	2	99.9
Chloramphenicol	3 626	0	100.0
Chlorinated Phenols	2 840	0	100.0
Cimaterol	1 658	0	100.0
Clenbuterol	1 738	0	100.0
Clopidol	1 145	0	100.0
Decoquinat	3 017	0	100.0
Dexamethazone	1 022	0	100.0
Dimetridazole	1 240	0	100.0
Dipyrrone	293	0	100.0
Endectocide	947	26	97.3
Flunixin	1 558	0	100.0
Fluoroquinolones	3 331	2	99.9
Furazolidone Met	509	0	100.0
Gestagens	1 780	20	98.9
Halofuginone	1 253	0	100.0
Ionophore	3 339	19	99.4
Ivermectin	2 171	1	100.0
Mga	201	0	100.0
Natural Hormones	70	0	100.0
Nicarbazin	1 094	0	100.0
Nortestosterone	54	0	100.0
Pesticides-m	4 585	1	100.0
Phenylbutazone	959	0	100.0
Ronidazole	1 179	0	100.0
Sulfonamides	3 900	2	99.9
Synthetic Pyrethrins	2 720	0	100.0
Thyreostatica	833	0	100.0
Tranquilizer	1 986	0	100.0
Trenbolone Acetate	2 313	10	99.6
Zeranol / Des	2 660	2	99.9
Zeranol / Stilbene	686	22	96.8
Total	67 187	232	99.7

Microbiological monitoring is used to determine the presence of harmful bacteria or parasites in meat and meat products. In 2002–03, the CFIA collected 2262 domestic meat samples and 276 imported meat samples. Of these submissions, 1454 tests were conducted for bacteriology, 304 for parasitology and 17 for container integrity.

The **bacteriology** compliance rate was quite high, at 96.1 percent for domestic meat products and 98.9 percent for imported meat products.

The **parasitology** compliance rate was 100 percent, with all 304 submissions performed for *Trichinella* last year being negative. The CFIA routinely tests for *Trichinella*, a parasite sometimes found in pork, as part of a strategy to declare Canada *Trichinella*-free.

The compliance rate for tests of **container integrity and sterility verification** was 82.4 percent, indicating that continued Agency focus is required to improve compliance. A monitoring program for container integrity of imported meat products was also developed in 2002–03. Baseline bacteriology surveys yielded a compliance rate of 84.7 percent. These results will be used to develop performance criteria for specific imported meat products.

Additives: There were 182 domestic and 22 imported meat submissions analysed for nitrites and nitrates last year. The compliance rate was 98.9 percent for domestic and 100 percent for imported meats. A follow-up investigation was conducted on the two unsatisfactory samples and further testing confirmed that the problems were resolved.

Meat standards verification: There were 75 domestic and eight imported meat submissions tested, to verify conformity to calcium, protein and bone particle standards for meat products. The compliance rate was 100 percent. This has not traditionally been a problem area.

Irradiation: Last years' testing program targeted imported products because irradiation of meat is not permitted in Canada. Sixteen imported meat submissions were tested and all were negative.

Recalls: Of 381 food recalls last year, 37 (9.7 percent) were for meat and poultry. This is a slight decrease from the 44 meat and poultry recalls issued in 2001–02. The main causes of recalls were microbiological pathogens such as *E. coli*, *Salmonella* or *Listeria*, extraneous material such as metal or glass, and the presence of undeclared allergens.

E. coli O157:H7 is a bacteria that has been associated with serious food and water-borne human illness outbreaks. Last year, the CFIA issued a Meat Hygiene Directive requiring all federally inspected plants processing raw beef products to strengthen their HACCP plans and scientifically validate them so that *E. coli* O157:H7 is reduced to below-detectable levels. There were eight recalls of meat products for *E. coli* O157:H7 in 2002–03.

Meat Hygiene Program Performance Management Pilot Project

From January to March 2003, the Meat Hygiene Program participated in a performance management pilot project. This project was a component of an Agency-wide Performance Management Framework. Key performance indicators were collected and analysed. The pilot was conducted on two types of establishments—meat processing facilities and slaughterhouses. The scope of the pilots targeted 11 meat establishments in Ontario which operate under the HACCP-based Food Safety Enhancement Program (FSEP).

The following table shows the key data collected, over a three-month period, with respect to these indicators. While the ability to draw conclusions is limited due to the short timeframe, the pilot enabled the program to validate indicators, set preliminary targets and conduct preliminary analysis of the key indicators.

MEAT PROCESSING ESTABLISHMENTS PILOT PROJECT RESULTS

Measure / Outcome	Indicator and Definition	Actual	Target*	Preliminary Analysis
The CFIA provides effective service delivery	<i>FSEP Verification Delivery Rate</i> —the number of FSEP verifications carried out relative to the planned number	66.4%	100%	Resource pressures may be limiting service delivery
Industry complies with regulations	<i>Facility Conformity Rate</i> —the number of finding of conformities with respect to major issues relative to the number of HACCP system audit tasks completed	92.6%	100%	High level of compliance
The CFIA supports industry adoption of risk management practices	<i>Facility Transition Rate</i> —the number of Meat Hygiene establishments under FSEP recognition and verification relative to the total number of establishments	13.6%	TBD	Shortage of FSEP-certified Meat Hygiene inspectors restricting transition; further pressure expected as FSEP becomes mandatory
The CFIA provides the required technical training in support of program needs	<i>FSEP Training Completion Rate</i> —the number of FSEP-certified Meat Hygiene employees relative to the number planned to be certified	50.8%	100%	Shortage of back-up resources to free up staff for training

* Preliminary targets were established for the pilot and will be further refined using baseline data.

The meat slaughterhouse pilot included five establishments in Alberta and Quebec. The key indicators, analysis and action plan are shown in the table below, for the three-month period.

MEAT SLAUGHTER ESTABLISHMENTS PILOT PROJECT RESULTS

Measure / Outcome	Indicator and Definition	Actual	Target*	Preliminary Analysis
The CFIA provides effective service delivery	<i>Verification Tasks Delivery Rate</i> —the number of verification tasks delivered relative to the planned number	85.3%	100%	Acceptable delivery rate, some of the missed tasks are daily tasks
	<i>Enforcement Profile</i> Number of suspensions, revocations, deregistrations or legal activities initiated	0	TBD	No actions occurred
Food meets domestic and trade requirements	<i>Export Rejection Count</i> —the number of rejected slaughter-related exports by the food administration authorities of foreign nations	0	TBD	Excellent result
	<i>Product compliance Rate—E. Coli 0157:H7</i> —number of samples found negative for <i>E. Coli 0157:H7</i> compared to the number of samples taken**	99.0%	100%	High level of product compliance
Industry complies with regulations	<i>Slaughter Plant Ratings</i> —number of plants rated at the 'A' level or above	100%	100%	High level of compliance

* Preliminary targets were established for the pilot and will be further refined using baseline data.

** Data collected manually from establishment test results and/or other sources external to the CFIA. The new Multi-Commodity Activities Program model is expected to address entry of external data sources.

The Agency intends to build on the success of this pilot by refining the indicators and targets and expanding data collection and analysis.

1.2 FISH, SEAFOOD AND PRODUCTION

CFIA Role

On average, Canadians consume approximately 10 kg of fish and seafood¹¹ products per year. Canadian fishers in 2002 landed 572 630 tonnes of fish and 458 036 tonnes of seafood and exported 251 466 tonnes of fish and 251 476 tonnes of seafood. Canada imported 184 845 tonnes of fish and 384 178 tonnes of seafood. All imported and exported fish and seafood is regulated by the CFIA. The Agency also regulates the majority of domestically produced fish, while provinces and territories regulate fish processed and sold within provinces.

Description of the Program

During 2002–03, the Fish and Seafood Program was delivered at a cost of approximately \$53.4 million, representing 9.4 percent of total Agency spending. A total of 343 staff were dedicated to the delivery of this program.

Under the authority of the *Fish Inspection Act*, the CFIA enforces the *Fish Inspection Regulations* and sets the policies, product and process standards (including inspection requirements) for fish and seafood products, federally registered fish and seafood processing establishments, importers, vehicles used in transportation, fisher-packer facilities and cold storages. Standards cover all aspects of the harvesting and processing of fish products and promote timely and effective intervention at critical stages. The CFIA is responsible for verifying that the fish processing industry operates within regulatory requirements to ensure that fish and fish products are safe, wholesome and labelled appropriately.

Planned 2002–03 Activities and Performance

The CFIA employs several approaches to promote and assess the fish processing industry's compliance, including verification, enforcement and education. Key indicators of performance are industry compliance, enforcement actions, results of product testing and fish- and seafood-related incidents and recalls.

As of March 31, 2003, there were 945 federally registered fish processing establishments in Canada. As a condition of this registration, the CFIA requires that all establishments develop and implement a Quality Management Program (QMP).¹² Each federally registered fish processing establishment designs and implements an appropriate QMP to ensure fish products are processed under sanitary conditions. The result must be a safe fish product that complies with federal regulations.

Verification for federally registered establishments assesses the adequacy of an establishment's QMP, verifying that the establishment applies the plans as described and maintains compliance with regulatory requirements.

Systems Verification is an evaluation of a federally registered fish processing establishment's QMP plan against the QMP Reference Standard, to verify that it complies with the *Fish Inspection Regulations*. Systems verifications are conducted for establishments applying for registration and for processing operations adding a new operational component to their registration. There were 131 systems verifications conducted in 2002–03.

¹¹ Statistics Canada 2001 data.

¹² The QMP is a fish inspection and control system that describes the establishment's system of standards, controls, procedures, inspections and records, for the purpose of verifying and documenting the processing of fish, and the safety and quality of fish processed in and exported from Canada. There are three basic control components to a QMP: the Prerequisite Plan, the Regulatory Action Point (RAP) Plan, and the HACCP (Hazard Analysis Critical Control Point) Plan.

Compliance Verification (CV) is an audit process carried out by CFIA inspectors to verify a fish processing establishment has implemented its QMP plan and meets the *Fish Inspection Regulations* requirements. Audit activities may include verifying the QMP operation, inspecting plant conditions and product, taking samples and investigating corrective actions. The emphasis is on verifying¹³ implementation. Plans call for CVs to occur once every four months or once every six months, based on the product risk level. The frequency of planned audits on licensed and QMPi importers (see Imports and exports, below) is based on the degree of known regulatory compliance and on the level of risks associated with imported products. Industry compliance figures, as measured by the number of suspended or revoked registration certificates, are not available on a national basis.

A significant program change implemented in 2002–03 resulted in revised methods of CV delivery and scheduling. This led to 973 CVs conducted in 2002–03, an increase from 606 the previous year. Data collected as part of the Performance Management Framework (PMF) pilot project¹⁴ for the first quarter of 2003 indicates that participating offices completed about 70 percent of planned CVs. This rate is acceptable but further evaluation is required. It is expected that, as inspection staff learn new policies and procedures associated with the program change, the number of completed CVs should more closely match those planned.

Data collected as part of the PMF pilot project indicates a high compliance rate of about 97 percent for 160 CVs conducted by participating offices. Certificates of registration were either suspended or revoked for the remaining 3 percent.

Imports and exports: There were 42 201 export certificates issued in 2002–03 for products exported to 109 countries. There were 1012 licensed importers in Canada last year as of end of May 2003. The import sector applies science-based, risk-management practices by adopting the voluntary Quality Management Program for Importers (QMPi). The QMPi is an ISO-based¹⁵ Quality Assurance program with controls prescribed by the CFIA, to enable QMPi Importers to verify acceptability of their imports. These importers differ from other licenced importers, whose verification of acceptability of imported lots is conducted by the CFIA. Eighteen importers, responsible for about 30 percent of total imports, adhered to the QMPi. This was an increase of two importers over the previous year. Audits were completed on six QMPi importers. The most common reasons for non-conformity were a lack of notification and documentation. Corrective action plans were put in place in all cases.

Product testing occurs through established sampling plans and is conducted for chemical, microbiological, sensory, chemical indicator, package integrity, labelling and net content analyses.¹⁶ Sampling programs are conducted on domestically produced and imported fish products for environmental contaminants, therapeutic drug residues and food additives.

¹³ Where the acceptability of fish products is brought into question through the identification of a non-conformity during a CV, and the establishment cannot resolve the problem as part of a Corrective Action Plan, inspectors take appropriate action. Detention or seizure may be necessary to control fish products that are tainted, decomposed or unwholesome, fraudulently presented or otherwise fail to meet the requirements of the Fish Inspection Act, Fish Inspection Regulations or other legislation.

¹⁴ See below for more information on the PMF.

¹⁵ According to the International Organization for Standardization, ISO is derived from the Greek word *isos*, meaning equal; therefore in all countries and languages the acronym for the organization is ISO.

¹⁶ For sensory, chemical indicator, package integrity and net content analyses, the CFIA has adopted the FAO (Food and Agriculture Organisation of the United Nations)/WHO (World Health Organisation) Codex Alimentarius Sampling Plans for pre-packaged foods. The sampling plan for container integrity analysis was adopted from the Visual Inspection Protocol developed by Fisheries and Oceans Canada, Agriculture and Agri-Food Canada, and Health Canada. The sampling plan for microbiology and chemistry was adopted from the International Commission on Microbiological Specifications for Foods.

**PRODUCT TESTING
SAMPLING NUMBERS 2002-03**

Test	Number of Tests Conducted	Number of Samples Tested
Drug Residues	4 877	2 271
Drug Residues Screen	3 094	1 055
Histamine	3 488	618
Marine Toxins	19 399	11 564
Mercury	2 579	1 285
Nitrates/Nitrites	58	24
PCBs/PCB Congeners	335	152
Pesticides	3 607	46
Phosphates	245	212
Safety Parameters	1 603	527
Sulfites	874	809
Trace Elements	457	223
Water	564	319
TOTAL	41 180	19 105

Results for the 41 180 samples tested are not tabulated nationally. When a test reveals that chemical residue limits have been exceeded, the inspector who submitted the test is notified and takes appropriate action, such as ordering disposal of the products. In future, the CFIA's Laboratory Sample Tracking System will be modified to record pass/fail information for product testing, and national tabulation will be available.

In accordance with the National Risk-based Monitoring Plan, testing is carried out for marine biotoxins in shellfish. The CFIA's marine biotoxin monitoring program is proactive, such that shellfish growing areas are typically closed to harvesting before contaminated shellfish are harvested and consumed. Marine biotoxin monitoring programs are in place in coastal areas, with established sampling stations and sampling frequencies to monitor changes in toxin levels. Sampling frequencies are based on such factors as the history of the toxin (both in time of year and location); the likelihood of harvesting, both commercially and recreationally; illnesses; and current events. When biotoxin levels begin to rise, sampling frequency is increased in accordance with the speed of the rise to ensure timely closure to protect human health. Areas that have been closed are monitored on a regular basis, but with increased frequency as biotoxin scores decline toward acceptable levels. Harvest areas are only re-opened once the biotoxin levels are consistently below the acceptable levels. In calendar year 2002, more than 19 000 biotoxin analyses were conducted, which is approximately 1000 more than in the previous year. This increase is a result of an increase in the number of harvest areas and an expanding shellfish industry. There were 173 recommended harvest closures based on marine toxin levels, plus an additional 32 recommended closures for sanitary reasons (e.g., unacceptable faecal coliform levels).

Enforcement: The Agency's response to non-compliance is a graduated process moving from warning letters to registration suspension to registration revocation. Offices participating in the PMF Pilot reported, for the last quarter, that 10 warning letters were issued, 5 registrations were suspended and no registrations were revoked. This indicates that when registration was suspended, the operator of the establishment took the necessary corrective actions to avoid revocation.

Education/awareness activities are carried out on an as- and when-required basis to increase industry understanding of the regulations and standards. Last year, contributions were made to the development of industry training materials prepared by the National Seafood Sector Council.

Incidents/recalls: Incidents may include a problem with the QMP as a result of consumer or trade complaints or unacceptable product inspections. The incidents may involve a recall. The number of domestic and export-related incidents related to QMP registered establishments for the period of January to March 2003 were six and one respectively. In all cases, the CFIA responded by evaluating the establishments' QMP controls and corrective actions. The number of QMP incidents is quite small when viewed in context of the total volume of fish and seafood produced by the approximately 945 registered fish processing establishments.

In 2002–03, of the 381 food recalls issued, 27 (7 percent) were for fish and seafood products. The main cause for recalls in 2002–03 was marine biotoxins in shellfish. In all cases of recalls, the CFIA responded by issuing public warnings and having product removed from store shelves.

Fish and Seafood Program Performance Management Framework Pilot

From January to March 2003, the Fish and Seafood Program participated in a PMF pilot on the QMP portion of the program. A program logic model was developed, which serves as a “road map” connecting activities to final outcomes. Key performance indicators were selected, data was collected and analysed in select geographic areas, and a performance report was presented to senior management. The pilot included 160 of the registered establishments (approximately 16.5 percent of the total in Canada) for the full set of indicators, while other indicators were collected nation-wide.

While the ability to draw conclusions is limited due to the short timeframe, the pilot enabled the program to validate indicators, set preliminary targets and conduct preliminary analysis of the key indicators.

The results of the pilot are shown in the following table and the preliminary analysis of the indicators.

FISH AND SEAFOOD PILOT PROJECT RESULTS

Measure / Outcome	Indicator and Definition	Actual	Target	Preliminary Analysis
The CFIA provides effective service delivery	<i>Compliance Verification (CV) Delivery Rate</i> —the number of CVs carried out relative to the program design	70.4%	100%	CV delivery rate affected by the seasonality of the industry (fewer plants operating at peak capacity due to lack of raw material)
	<i>Enforcement Profile</i> —the number of warning letters, suspensions and revocations of Certificates	15	Trend to be established	Data indicates graduated enforcement approach to achieve compliance is being followed.
Food meets domestic and trade requirements	<i>Export Incident Count (QMP)</i> —the number of exported fish product incidents determined to have resulted due to QMP controls at registered fish processing establishments	1	Trend to be established	Extremely high level of compliance to trading partner requirements based on volume of exports.
	<i>Domestic Incident Count</i> —the number of domestic fish product incidents determined to have resulted due to QMP controls at registered fish processing establishments	6	Trend to be established	Extremely high level of compliance domestic requirements based on volume of production.
	<i>Product Compliance Rate—Export</i> —the rate of compliance of inspected product lots for export certification requests, from registered establishments	94.4%	100%	High level of compliance to trading partner requirements based on volume of exports. Only one lot was rejected for food safety reasons.
Industry complies with regulations	<i>Facility Conformity Rate</i> —rate of findings of conformity with respect to food safety requirements.	98.4%	100%	High level of compliance for food safety requirements. In all instances of non-conformity, appropriate action was initiated.
	<i>Industry Compliance Rate</i> —rate of enforcement actions taken to suspend or revoke certificates of registration	96.9%	100%	During the 3-month pilot period a total of 5 suspensions of registration were issued of 160 establishments indicating a high rate of compliance.

The PMF is being detailed for the remaining parts of the Fish Program and a comprehensive program scorecard will be available for the next reporting period.

1.3 FOOD SAFETY INVESTIGATION

CFIA Role

The Agency's Food Safety Investigation Program promotes public health and helps protect consumers from fraud by investigating consumer and trade complaints and inspecting products and establishments that pose the greatest risk to consumers. Investigations may lead to recalls for imported or domestically produced foods.

Description of the Program

During 2002–03, the Food Safety Investigation Program was delivered at a cost of approximately \$24.8 million, representing 4.4 percent of total Agency spending. A total of 167 staff were dedicated to the delivery of this program.

CFIA science committees identify and prioritize potential hazards in the food supply. When the risk is high, the Agency investigates. These investigations include monitoring safety of certain commodities, reviews of the food industry's safe process controls and investigation of complaints from consumers or traders.

The CFIA identifies and investigates concerns about the safety of food with provincial and municipal medical officers of health, and government departments such as Health Canada. With the CFIA, they assist in investigations, exchange information about risks to food safety and participate in management of emergencies.

Planned 2003-03 Activities and Performance

Consumers who may have become ill from eating a product, or who believe they have been defrauded because one product has been sold to them as something else, can complain to the CFIA. All complaints are evaluated. Those that might cause immediate adverse health consequences are acted upon quickly. The CFIA advises those who complain of illness to seek medical advice, and these cases are reported to Health Canada for follow-up.

Last year, CFIA offices throughout Canada conducted about 7600 complaint investigations related to food safety, resulting from telephone enquiries or letters from consumers.

In addition to investigations of complaints related to food safety, the CFIA directs inspection resources toward products and establishments that are determined to pose the greatest risk to consumers. During 2002–03, the CFIA developed or continued 14 food safety projects (out of 19 projects proposed for potential delivery in 2002–03), which are summarized below. For more detailed information on the CFIA's food safety projects, please visit the Agency's Web site at:

<http://www.inspection.gc.ca/english/bureau/bureau.shtml>

FOOD SAFETY INVESTIGATION PRIORITY PROJECTS

Project Title	Objective	Summary of Results	Preliminary Analysis
Bottled Water	<p>Sample domestic and imported products to assess microbial content.</p> <p>Good Manufacturing Program assessment of domestic establishments.</p>	<p>226 samples taken—99% satisfactory.</p> <p>114 establishment inspections—97.4% satisfactory.</p>	<p>Compliance level high.</p> <p>Project to continue in 2003–04.</p>
Special Inspection and Sampling Project for Sprouts	<p>Educate sprout manufacturers on the new <i>Code of Practice for the Hygienic Production of Sprouted Seeds</i>.</p> <p>Assess code implementation level in industry.</p> <p>Sample product to assess Canadian sprout quality.</p>	<p>27 establishment inspections—70% satisfactory.</p> <p>87 samples taken—88.5% satisfactory.</p>	<p>Project to continue in 2003–04 with education, sampling and assessments.</p> <p>Follow-up activities with unsatisfactory establishments and samples.</p>
Low Acid and Acidified Low Acid Canned Food	Develop list of companies that can products or import canned products (list to be used in future for inspections and sampling).	There are 60 domestic canneries and 281 importers.	Project to continue in 2003–04 with domestic assessments, import inspections and sampling.
Plant Products Packed in Oil	Develop list of companies that can these products or import them (list to be used in future for inspections and sampling).	<p>There are 17 domestic producers and 24 importers.</p> <p>Four inspections completed and 15 samples taken.</p>	<p>Inspection/sampling results 100% satisfactory.</p> <p>Project to continue in 2003–04 with domestic assessments, import inspections and sampling.</p>
Aflatoxin	Sample imported nuts and peanut butter for aflatoxin above regulatory limit of 15 ppb.	49 samples taken—78% satisfactory.	<p>Compliance level indicates project should continue in 2003-04.</p> <p>Extra attention required for pistachio nuts.</p>
Blue Green Algae	Sample Blue Green Algae products at retail/importer level for microcystin above the regulatory limit of 1 ppm.	<p>16 retailers and 10 importers identified.</p> <p>26 samples taken—85% satisfactory.</p>	Compliance level indicates project should continue in 2003-04.

FOOD SAFETY INVESTIGATION PRIORITY PROJECTS (CONTINUED)

Project Title	Objective	Summary of Results	Preliminary Analysis
Food Colour	Sample imported foods for non-approved food colours.	112 samples taken—79% satisfactory.	Compliance level indicates 2003–04 priority will be coloured dried fruit/ confectionery products from Far East, and firms with histories of non-compliance.
Iodine Addition to Table Salt	Assess compliance levels of domestic and imported table salt and salt (0.01% potassium iodide).	Analytical results demonstrate more than 90% of samples tested are not in compliance.	Compliance level low. Request Health Canada health risk assessment to contribute to identification of risk management options.
Bakery Products in Reduced Oxygen Packaging	Identifying manufacturers and importers of modified atmosphere packaged (MAP) products and collect information for future inspections.	CFIA inspectors surveyed 39 retail food stores to identify products; found 45 manufacturers and importers.	Project to continue in 2003–04.
Mandatory Folic Acid Fortification for Flour and Enriched Alimentary Paste	Update manufacturers' and importers' list. Send letters to industry outlining their responsibilities.	Inventory completed; 204 manufacturers and 203 importers identified.	Manufacturers to be sampled and assessed in 2003–04 for compliance regarding mandatory addition of folic acid to flour.
Nutrient Fortification of Infant Formulas	Update list of manufacturers, importers and distributors. Sample products to ensure nutrient levels are within Health Canada requirements.	Samples taken have been satisfactory. One establishment assessment completed; satisfactory result.	Compliance level high. Formulated liquid diets to be added in 2003–04.
Starlink™ Corn	Sample bulk and retail foods derived from yellow corn analysed for Starlink™ novel protein.	No StarLink™ novel protein found in 53 samples taken.	Compliance level high. Risk of StarLink™ entering food chain low. Project discontinued for 2003–04.

FOOD SAFETY INVESTIGATION PRIORITY PROJECTS (CONTINUED)

Project Title	Objective	Summary of Results	Preliminary Analysis
3 MCPD and 1,3, DCP Residue Levels in Soya and Oyster Flavoured Sauces	Sample sauces for 3 MCPD and 1,3 DCP above Health Canada guideline of 1 ppm.	49 samples taken—95% satisfactory.	Compliance level high, indicating need for focus on products with history of non-compliance in 2003–04.
Heavy Metals in Imported Foods in Non-federally Registered Sector	Survey selected imported mushrooms, paprika, candies and rice. Countries targeted included those recently at war or suffering natural disasters.	45 samples taken—100% satisfactory.	Compliance level high but due to continued concerns about potential risk, project will continue in 2003–04.

1.4 FRESH FRUIT AND VEGETABLES

CFIA Role

On average, Canadians consume 64 kg of fresh fruit and 141 kg of fresh vegetables per year.¹⁷ The CFIA contributes to the safety of fresh produce through product sampling and monitoring. Regulations enforced by the CFIA protect consumers, growers, shippers and distributors.

Description of the Program

The Fresh Fruit and Vegetable Program was delivered at a cost of approximately \$24.1 million in 2002–03, representing 4.3 percent of total Agency spending. There were 151 staff dedicated to its delivery.

The Fresh Fruit and Vegetable Program has two facets: food safety assessment, and quality inspection and certification. Under the mandate of the *Canadian Agricultural Products Act*, the CFIA regulates inter-provincial and international trade, licenses market dealers, and establishes and maintains quality standards. User fees recover some of the costs of inspection services.

Provinces such as Ontario and Quebec also engage in food safety assessments of domestic and imported fresh fruit and vegetables. Provincial and municipal public health departments become involved in food safety investigations or recalls associated with fresh fruit and vegetables within their jurisdictions.

Planned 2002–03 Activities and Performance

Verification and enforcement activities assess and promote industry compliance with food safety and quality standards for fresh fruit and vegetables. Product testing examines fruit and vegetables to detect chemical or microbiological contaminants.

Verification: CFIA inspectors perform 'destination inspections' to verify and document the condition of domestic and imported produce. The CFIA performed 15 364 of 11 814 planned destination inspections in 2002–03. Of these, 357 resulted in product detentions. Detentions are issued for violations of quality, packaging and labelling requirements of the *Fresh Fruit and Vegetable Regulations*. Produce that failed to comply was dumped, re-exported, re-graded or re-labelled.

Produce warehouses that pack apples and potatoes for interprovincial shipment may become federally registered establishments, called Registered Produce Warehouses (RPWs). RPWs are responsible for monitoring the quality of their products and may ship apples and potatoes interprovincially without CFIA certification. RPWs must follow the *Fresh Fruit and Vegetable Regulations* and are monitored periodically by CFIA inspectors. In 2002–03, CFIA inspectors made 189 visits to 117 registered establishments to verify their compliance.

The CFIA planned 362 Customs Clearance Inspections for 2002–03 and performed 841. These inspections apply to imported apples, onions and potatoes. If these products are imported from the United States, the CFIA requires USDA certification. If they are from another country, the CFIA inspects the shipments upon arrival in Canada. Products that do not meet Canadian standards cannot be imported.

¹⁷ Consumption figures from Agriculture and Agri-Food Canada Market Industry & Services Branch, 2001–2002 Canadian Fruit Situation and Trends; Canadian Vegetable Situation and Trends; Canadian Potato Situation and Trends.

Export inspections certify the quality of fruit and vegetables and facilitate trade. The CFIA performed 20 150 of a planned 7 318 export inspections during 2002–03. Most of these export shipments were destined for the United States.

When there is a shortage of supply of a fruit or vegetable, processors and re-packers may request a Ministerial Exemption from packaging, labelling and/or quality requirements of the *Fresh Fruit and Vegetable Regulations*. In 2002–03, there were 703 exemptions issued for 13 933 shipments of imported produce and 249 exemptions were issued for 4301 shipments of domestic produce.

Product Testing

To protect Canadians from the potentially harmful health impacts of residues of agricultural chemicals on fresh fruit and vegetables, the CFIA implements risk-based **chemical residue monitoring** programs. For example, products that have demonstrated a history of high compliance are sampled less frequently

than products that have a higher violation rate. Products found to be in violation of the Maximum Residue Limits (MRLs) of the *Food and Drug Regulations* are investigated by the CFIA through more targeted surveillance inspection activities. Should the product continue to violate MRLs, it is subject to detention pending laboratory analysis. As of March 31, 2003, the CFIA had more than 122 growers/shippers on its surveillance list. The monitoring data gathered by CFIA is used by Health Canada to assess the human health risks that these residues may pose to Canadians.

In 2002–03, the CFIA collected 2621 samples of domestic produce and 5055 samples of imported produce for analysis. Samples were analysed for the presence of a wide range of agricultural chemicals or chemical contaminants. For example, when samples of fresh produce are tested for pesticide residues, each analysis screens for the presence of approximately 269 different pesticides. Results, compared to previous years' data, are presented in the following table:

FRESH FRUIT AND VEGETABLES CHEMICAL RESIDUE MONITORING

Fiscal Year	1998–99		1999–2000		2000–01		2001–02		2002–03	
	Dom.	Imp.	Dom.	Imp.	Dom.	Imp.	Dom.	Imp.	Dom.	Imp.
Number of Analyses	2 447	6 939	2 230	8 498	2 904	11 079	8 792	2 904	2 621	5 055
% in Compliance	98.8%	97.8%	98.5%	98.3%	98.9%	99.7%	99.0%	99.0%	99.0%	99.3%

The CFIA analysed 244 domestic and 255 import samples of fresh fruit and vegetables for **microbiological contamination** in 2002–03. Two domestic and two imported samples were found to be contaminated. Contaminated product was immediately recalled. In both cases, the CFIA conducted follow-up investigations to determine the source of the problem.

The Canadian sprout industry was implicated in six food-borne illness outbreaks that made more than 375 people sick between 1995 and 2001. The CFIA initiated a national inspection and sampling project to assess sprout industry manufacturing practices and to determine the microbiological profile of domestic sprouts. The CFIA also implemented a *Draft Code of Practice for the Hygienic Production of Sprouted Seeds*. The Canadian Sprout Industry has not experienced a sprout-borne illness outbreak since February 2001. In 2002–03, the CFIA further enhanced its Special Sampling and Inspection Project for Sprouts by developing and implementing a module that trained over 100 CFIA inspectors and 22 provincial inspectors on how to apply *General Principles of Food Hygiene Assessment Standards* to sprouts.

Irradiated avocados, guavas, mangoes and papayas are not permitted in Canada. The CFIA analysed 124 samples of these fruits in 2002–03. No irradiated product was found.

Incidents and recalls: Of 381 food recalls in 2002–03, five were for fresh fruit and vegetables. Three were for product from non-federally registered establishments and two were for imported products.

In April 2001 and in May 2002, Mexican cantaloupes contaminated with *Salmonella poona* caused numerous illnesses in Canada and two deaths in the United States. In November 2002, the CFIA issued an import alert on all Mexican cantaloupes, which has limited imports to a small number of growers. CFIA officials are working with the Mexican government on the evaluation and recognition of a *Cantaloupe Certification Program* (CPG) to minimize the risk of future contamination. Currently only cantaloupes from CPG-certified establishments are allowed to be imported into Canada.

Education/awareness activities take place on an as- and when-required basis to increase industry's understanding of regulations and standards. The CFIA Web site offers food safety fact sheets on fresh fruit and vegetables. More fact sheets are currently under development.

1.5 FAIR LABELLING PRACTICES PROGRAM

CFIA Role

The CFIA's work in regulating the net quantity, composition, labelling and advertising of food products is important to Canadians as it protects consumers from deceptive and misleading practices and facilitates fair competition for industry. The CFIA contributes to the compliance of foods produced or imported by establishments that are not federally registered, and foods that are manufactured, or packaged and labelled at the retail level.¹⁸ These food products account for approximately 57 percent of Canadian consumers' food expenditures (excluding restaurants).

Description of the Program

During 2002–03, the Fair Labelling Practices Program was delivered at a cost of approximately \$18.8 million, or 3.3 percent of Agency spending. A total of 94 staff were dedicated to the delivery of this program.

The CFIA protects Canadians from unfair market practices by enforcing the fraud and labelling provisions of the *Food and Drug Regulations* and the *Consumer Packaging and Labelling Regulations* for domestically produced and imported food products at the manufacturing, import and retail levels of trade. The CFIA targets high-risk products and establishments, inspects and analyses food products, and assesses industry control systems.

The provinces and territories have a limited role in this area. The CFIA has a memorandum of understanding for inspection of non-registered plants with the Ministère de l'Agriculture, des Pêcheries et de l'Alimentation du Québec. Food safety is enforced at the retail level by municipalities. Health Canada develops regulations on nutrition labelling, nutrient content claims and health claims.

Planned 2002–03 Activities and Performance

The CFIA deters deceptive practices by investigating consumer and trade complaints and using inspection, product testing and enforcement to encourage compliance. Inspection activities include answering enquiries, conducting label reviews, and carrying out product inspections and laboratory analysis. Key performance indicators are the level of CFIA service delivery and improvements in industry compliance. The Agency targets priority areas based on consumer complaints and risk assessments. As such, these compliance rates are not indicative of the broader marketplace compliance in these areas. However, the rates for these targeted commodities, importers and producers are tracked individually to monitor improvements in compliance.

The Agency is effectively targeting priority areas as it continues to find issues with quantity, composition, labelling and advertising. Also, improvements in specific commodities, such as ground beef, olive oil and sports nutrition products, demonstrate the effectiveness of the planned interventions.

Complaints and Enquiries

During 2002–03, the CFIA responded to enquiries, fulfilled requests for label reviews, and investigated consumer and trade complaints. Key indicators of performance include the prompt and efficient response to these requests for assistance.

Year	# of Complaints	# of Enquiries	# of Label Reviews
2002–03	2 077	10 762	3 693
2001–02	1 539	15 418	6 417
2000–01	1 381	14 069	4 501

¹⁸ Including cocoa, chocolate products and confectionary; coffee and tea; spices, dressings, salt and seasonings; fats and oils; packaged water and ice; bakery products, grains, cereal; sweetening agents; infant foods; nut and nut products; desserts; frozen prepared meals; snack foods; sports nutrition products; soft drinks; etc.

Although approximately 30 percent fewer inquiries were received during this past year, this continues to be an important mechanism to facilitate compliance through the provision of information to industry regarding regulatory requirements. Label reviews identify violations before the labels are applied to food and distributed in the marketplace, and serve as an efficient mechanism to enhance labelling compliance. While nutrition labelling has been voluntary except when a nutrient content claim was made, new nutrition labelling regulations promulgated by Health Canada on January 1, 2003, will require the mandatory declaration of an expanded list of nutrients on most foods. Although there was a reduction in the number of label reviews during 2002-03, it is expected that these new regulations will result in a dramatic increase in the number of labels submitted for review during 2003-04. The CFIA places a high priority on complaint investigations. During 2002-03 the CFIA investigated approximately 30 percent more complaints than in previous years.

Establishment and Product Compliance

The CFIA focuses its inspection activities for domestically produced and imported food products at the

manufacturing, import and retail levels of trade. These results are described below.

Domestically manufactured foods: There were 714 inspections of priority foods (foods determined by the CFIA to pose a high non-compliance risk) produced by non-registered domestic food manufacturing establishments and they resulted in the identification of 1626 violations. All violations resulted in industry education and appropriate enforcement action, while 149 of those resulted in advanced enforcement action such as product seizure.

Although the composition compliance rate is showing improvement due to the CFIA's efforts in this area, the overall compliance rate for domestically produced products has remained fairly constant over the past three years. The compliance rate for advertising is low because inspections are carried out almost exclusively in response to complaints. A compliance project, to direct inspection attention to advertisements on radio and television stations, was not implemented as planned during 2002-03 due to other work priorities. This initiative is scheduled for 2003-04.

COMPLIANCE OF DOMESTIC PRIORITY FOOD PRODUCTS

	2002-03		2001-02		2000-01	
	Lots Sampled	Percent Compliance	Lots Sampled	Percent Compliance	Lots Sampled	Percent Compliance
Net Quantity	299	82.9	350	87.4	326	81
Composition, Substitution	2300	71.7	1229	42.1	1696	37.5
Labelling	3108	52.5	3016	51.6	7834	65.5
Advertising	102	6.9	34	17.6	46	2.2

Since sampling is directed toward suspected problems, the above data is not indicative of marketplace compliance in general.

Retail food inspections: The CFIA directs resources toward establishments and products that pose the greatest risk to consumers. A total of 2563 inspections of priority food products manufactured or packaged and labelled at retail outlets, such as meat, fish, dairy, bakery, fresh fruits and vegetables and deli products, resulted in the identification of 12 187 violations. All violations resulted in trader education and appropriate enforcement action, while 514 of those violations resulted in enforcement action such as product seizure.

Key indicators of performance are improvements in industry compliance through the identification and correction of violations. Composition and advertising compliance has improved over the past three years; however, the labelling and net quantity compliance of these products has dropped and requires improvement.

RETAILER FOUND GUILTY OF SELLING HORSE MEAT LABELLED AS BEEF

The CFIA launched an investigation of Jay's Food Market (Can-Na Foods Ltd.) retail stores locations in Calgary on June 20, 2000, and laid charges after it was discovered that horse meat was being labelled and sold as beef. On September 10, 2002, Can-Na Foods Ltd. owner Jane Jay and meat manager Tran Quyen Luu were fined \$82 500 after being found guilty on July 31, 2002, in a Calgary Provincial Court of 12 counts of violating the *Food and Drugs Act*.

RETAIL FOOD COMPLIANCE

	2002-03		2001-02		2000-01	
	Lots Sampled	Percent Compliance	Lots Sampled	Percent Compliance	Lots Sampled	Percent Compliance
Net Quantity	61 652	81.5	37 026	86.1	46 844	87.2
Composition, Substitution	44 060	87.7	24 096	86.4	27 947	84.3
Labelling	57 727	62.8	41 045	73.6	36 111	64.1
Advertising	1 289	80.9	487	71.7	424	51.7

Since sampling is directed toward suspected problems, the above data is not indicative of marketplace compliance in general.

COMPLIANCE OF IMPORTED PRIORITY FOOD PRODUCTS

	2002-03		2001-02		2000-01	
	Lots Sampled	Percent Compliance	Lots Sampled	Percent Compliance	Lots Sampled	Percent Compliance
Net Quantity	272	93.4	220	90.5	101	83.2
Composition, Substitution	3 119	5.2	667	18.7	1 144	25.6
Labelling	10 350	8.8	3 594	22.2	3 745	32.7
Advertising	7	0	3	0	4	0

Since sampling is directed toward suspected problems, the above data is not indicative of marketplace compliance in general.

Imported foods: There were 2304 violations identified after 770 inspections took place of priority foods imported by non-registered food importers. They resulted in trader education and appropriate enforcement action, while 339 of those violations resulted in enforcement action such as product seizure.

Because the CFIA's inspection strategies in 2002-03 targeted imported products with lower compliance rates, and increased the focus on importers responsible for these products, the composition and labelling compliance rates for imported food products have continued to drop and are very low. The variety and volume of foods imported to Canada have also increased. To improve compliance, the CFIA will continue to provide information to importers and encourage them to develop control systems to ensure that foods they import meet Canadian regulations.

Priority Projects

In addition to ongoing product and establishment inspections, the CFIA also establishes and delivers priority projects in areas of high risk. The following are examples of some initiatives undertaken by the CFIA in 2002-03 to protect consumers from unfair market practices:

Ground beef adulteration: Ground beef constitutes approximately 35 percent of all beef sales. Federal regulations dictate that ground beef must be composed exclusively of beef and cannot be adulterated. Ground meats that contain foreign species, cereals or sulphites result in economic loss to consumers and a health hazard to allergy sufferers. A less expensive meat or cereal may be added to a ground meat product to increase profits. Sulphites give ground meats the appearance of being fresh when they are not.

During the past three years, 1167 ground meat samples have been analysed from both independent and chain stores for foreign species adulteration.

GROUND BEEF ADULTERATION ANALYSIS

	Number Sampled	Number Showing Adulteration	Percent Showing Adulteration
2002-03	430	33	7.7
2001-02	530	24	4.5
2000-01	207	43	20.8

All stores that failed initial testing received a written warning letter. Official samples were taken so prosecutions could be initiated if violations continued. During 2002-03 a greater emphasis was placed on small independent stores in rural areas, as many chain stores instituted new control procedures in 2001-02 to ensure that the ground meats they sell are not adulterated. It is clear from the 33 samples showing adulteration in 2002-03 that ongoing vigilance is required in this area.

During 2002-03, 436 samples of ground meat were analysed for sulphites and cereal. None of the samples showed sulphite adulteration and only one was

adulterated with cereal, indicating that this is an area of relatively high compliance.

Sports nutrition products include food in the form of powders, bars and beverages that are designed to supplement the diet so as to achieve improved physical performance. This priority project was carried over from 2001-02 when the CFIA determined a high level of non-compliance with respect to these products. During 2002-03, the CFIA sent a letter to more than 4000 retailers, importers, manufacturers and distributors of sports nutrition food products informing them of their responsibilities to comply with Canadian regulations. The letter stated the CFIA's intention to inspect and take enforcement action against dealers of non-compliant products at all levels of trade. The letter was accompanied by labelling and product information and provided industry with guidance on product acceptability. Through product sampling and testing conducted in 2002-03, the CFIA found 72 of 180 samples (40 percent) in compliance for composition, and 85 of 190 samples (45 percent) in compliance for labelling. This was a significant improvement in compliance from 2001-02 when the compliance rates were 6 percent for composition and 4 percent for labelling. Common compositional violations included addition of vitamins, minerals in excess of permitted levels, presence of non-permitted substances and an absence of declared ingredients. Major labelling violations included non-permitted drug and performance claims. As a result of the CFIA's continued focus in this area, some industry associations are now actively promoting compliance

\$20,000 FINE FOR ADULTERATING MEAT WITH SULPHITES

On March 26, 2003, North Hill Meat & Deli Ltd. and Mr. Louis Blounas were fined \$20 000 by a provincial court in Toronto after being found guilty of violating four counts of the *Food and Drugs Act*. CFIA inspectors had found in June 1999 that the fined parties had unlawfully adulterated meat labelled as "lean ground beef" by adding sulphurous acid and/or its salts. This misleads the consumer by giving the product a bright red and fresh appearance. It conceals, but does not prevent, bacterial growth. The undeclared presence of sulphites also poses a serious health hazard to individuals who are allergic to sulphurous acid.

among their members. The CFIA's 2003–04 strategy includes inspections at all trade levels and provision of guidance for the establishment of industry quality control procedures. This project will be expanded in future years to include a broader range of 'active living' products, including weight loss products, nutritional supplements and meal replacements.

Adulteration of olive oil may include the addition of cheaper substitute oils. As it is impossible for consumers to tell which products have been adulterated, CFIA laboratories test samples to detect this illegal

practice. Results of this testing over the past five years are shown below. In 2002–03, the CFIA focused its investigation on foods packed in, or said to contain, olive oil. A number of these foods were found to contain olive pomace oil, sunflower oil or canola oil instead of olive oil. As a result, the CFIA initiated enforcement actions such as issuing orders to remove products from sale. The CFIA will continue to analyse olive oil, and foods said to contain olive oil as an ingredient, and prosecute any company found to be in violation of regulatory standards.

OLIVE OIL ADULTERATION ANALYSIS

Year	Number of Brands Sampled	Number of Brands Showing Adulteration	Percent of Brands Showing Adulteration
2002–03	49	2	4.1
2001–02	44	4	9.1
2000–01	23	0	0
1999–2000	72	4	5.6
1998–99	55	8	14.5

Since sampling is directed toward suspected problems, the above data is not indicative of marketplace compliance in general.

1.6 PROCESSED PRODUCTS

CFIA Role

This program ensures the safety of processed products such as canned and frozen fruit and vegetables, prevents fraud and enforces quality standards. The CFIA ensures that products made in federally inspected establishments for interprovincial trade or for export, as well as those imported into Canada, are safe, wholesome, properly packaged and labelled.

Processed products, as defined under the *Processed Products Regulations* and the *Maple Products Regulations*, occupy a major share of the Canadian food market. Annual per capita consumption of processed fruit and vegetable products is estimated at 54 kg. Canada is the world leader in exports of maple products with sales to more than 30 countries. In 2002–03, 28 685 tonnes of maple were exported to the United States, Europe, and Asia, accounting for more than \$144 million in revenues.

Description of the Program

During 2002–03, the Processed Products Program was delivered at a cost of approximately \$14.3 million, representing 2.5 percent of Agency expenditures. Seventy full-time employees were dedicated to the delivery of this program.

Under the authority of the *Canada Agricultural Products Act*, the CFIA sets the standards for processed products, federally registered processed product establishments, importers and exporters.

Registration is required for establishments that prepare processed fruit, vegetable and maple products and trade them interprovincially or internationally, or when they apply a Canadian grade mark. There were 572 federally registered establishments for processed products in Canada in 2002–03.

Provincial and territorial inspectors conduct similar activities in non-federally registered establishments, which produce products for local consumption (within provincial borders).

Planned 2002–03 Activities and Performance

The CFIA promotes and verifies the compliance of processed fruit, vegetable and maple product industries through verification and enforcement activities and education. Key performance indicators include industry compliance, enforcement actions, product testing results and product-related incidents and recalls.

Verification of processed products establishments are accomplished through two approaches:

FSEP-recognized Establishments: Verification ensures the FSEP program is applied as described by the manufacturer. The Processed Products Program, prior to granting FSEP recognition, verifies that the FSEP program contains all necessary components and controls to ensure compliance.

In 2002–03, 14 establishments requested FSEP recognition and seven were approved. There are 38 FSEP-recognized establishments in Canada today, or 6.6 percent of all registered establishments, primarily because the FSEP program is still voluntary. The number of FSEP-recognized plants is expected to continue to increase in keeping with global trends.

In 2002–03, 56 regulatory system audits were planned and 24 were completed. There were no suspensions or revocations of certificates, indicating satisfactory compliance rates. The CFIA acknowledges the need to increase regulatory system audits to cover a greater number of FSEP-recognized establishments. This remains a challenging task because of its resource intensiveness, and the need for trained inspectors for the adequate delivery of system audits.

Non-FSEP recognized Establishments: Verification activities for non-FSEP-recognized establishments ensure establishments meet requirements set out in the *Processed Products Regulations* and the *Maple Products Regulations*. These activities may include inspecting plant and product conditions, collecting samples, investigating corrective actions, and performing laboratory analysis. Verification of registered establishments is based upon criteria such as production levels and previous ratings.

Enforcement: Activities are carried out in response to non-compliance and may include product detentions, warning letters, suspensions, cancellations or revocations of registration certificates. In 2002–03, 559 processed products detentions were issued by the Agency. These products were returned to their country of origin, destroyed or brought back into compliance.

Establishment inspections: CFIA inspectors carried out 1002 in-depth and directed inspections at registered establishments in 2002–03. An in-depth inspection is a full inspection, while a directed inspection is partial and reviews deficiencies noted during previous in-depth inspections. In-depth inspections showed a compliance rate of 96.8 percent for processed fruit and vegetables, and 96.2 percent for maple products, in 2002–03. This compliance rate is consistent with previous years. Non-compliance indicates infractions in premises, transport and storage, equipment, personnel, sanitation and pest control, records and manufacturing, which trigger directed inspections to ensure corrective actions have been effective.

Imported product testing: Overall, compliance has remained high compared to previous years. However, some compliance rates (e.g., label verification, standard/composition verification) for certain imported products have decreased with the implementation of the Targeted Imported Processed Products Program, in which suspect products are targeted for increased inspections. Non-compliant products are either returned to the country of origin, detained or brought into compliance by, for example, applying correct labels. The following tables show compliance rates for imported and domestic processed products since 2000.

IMPORTED PROCESSED FRUIT & VEGETABLES AND MAPLE PRODUCTS COMPLIANCE RATE

Inspection Activity	2000–2001	2001–2002	2002–2003
Label Verification			
# Completed	745	895	859
# Satisfactory	457	491	465
% Compliance	61.3%	54.8%	54.1%
Net Quantity Verification			
# Completed	71	115	104
# Satisfactory	60	98	99
% Compliance	84.5%	85.2%	95.2%
Grade Verification			
# Completed	309	441	370
# Satisfactory	275	368	344
% Compliance	89.0%	83.4%	93.0%
Standard/Composition Verification			
# Completed	263	357	410
# Satisfactory	242	290	316
% Compliance	92.0%	81.2%	77.1%
Container Integrity Verification			
# Completed	167	139	149
# Satisfactory	119	122	117
% Compliance	71.3%	87.8%	78.5%
Summary of Imported Products Inspection			
# Completed	1555	1947	1892
# Satisfactory	1153	1369	1341
% Compliance	74.1%	70.3%	70.9%
# Detentions of Imported Products	121	242	200

DOMESTIC PROCESSED FRUIT & VEGETABLES AND MAPLE PRODUCTS COMPLIANCE RATE

Inspection Activity	2000–2001	2001–2002	2002–2003
Label Verification			
# Completed	589	541	703
# Satisfactory	421	356	502
% Compliance	71.5%	65.8%	71.4%
Net Quantity Verification			
# Completed	179	128	141
# Satisfactory	160	123	138
% Compliance	93.6%	96.1%	97.9%
Ingredient Verification			
# Completed	244	243	302
# Satisfactory	203	206	256
% Compliance	83.2%	84.7%	85.4%
Grade Verification			
# Completed	315	303	631
# Satisfactory	289	284	602
% Compliance	91.8%	93.8%	95.4%
Standard/Composition Verification			
# Completed	148	137	229
# Satisfactory	135	128	195
% Compliance	91.2%	93.4%	85.1%
Container Integrity Verification			
# Completed	41	42	57
# Satisfactory	41	40	52
% Compliance	100%	95.2%	91.2%
Summary of Domestic Products Inspection			
# Completed	1516	1394	2063
# Satisfactory	1249	1137	1745
% Compliance	82.4%	81.5%	84.6%
# Detentions of Domestic Products	249	157	359

Domestic product inspections for label, net quantity, ingredient and grade verifications have resulted in increased compliance rates compared to last year. There were minor decreases in compliance for standard/composition and container integrity verifications, but compliance rates are still considered satisfactory.

Certification of exported products: At the request of industry, processed products destined for export are certified by the CFIA. The certificates facilitate trade by ascertaining product compliance with the applicable Canadian regulatory requirements. In 2002–03, 300 export certificates were issued compared with 307 certificates in 2001–02.

Product testing is used by the CFIA to monitor processed products for the presence of chemical residues or microbiological and compositional hazards.

The CFIA's **chemical residue monitoring** program for processed products uses a risk-based approach to promote compliance with maximum residue limits (MRLs) for agricultural chemicals such as pesticides, metals and environmental contaminants.

Domestic chemical residue monitoring: In 2002–03, 469 domestic processed fruit and vegetable samples were collected and analysed. In addition, 148 domestic surveillance samples were taken of “suspect” products.

The monitoring program included intensive testing of apple juice and cider for patulin contamination. Patulin is a harmful mycotoxin that may be found in fruit and some vegetables as a result of storage rot. Analysis of the results of chemical residue testing demonstrated that, last year, the highest rates of violation were for patulin in apple juice (22.0 percent) and apple cider (15.1 percent). As a result of these findings, the CFIA has increased its surveillance inspections and will be collecting additional samples in 2003–04.

The monitoring program also included a survey of infant and baby foods for pesticide residues. The results were very encouraging, as all of the 309 samples tested were found to be in compliance.

Imported chemical residue monitoring:

In 2002–03, 707 imported processed products samples were collected and analysed. In addition, 19 imported surveillance samples were taken from “suspect” shipments. The chemical residue test results revealed no violations in infant and baby foods, apple juice, apricot nectar, or in canned apricot, peaches or plums.

Microbiological monitoring is used by the CFIA to address areas of high risk. For example, sampling for *Listeria monocytogenes* was carried out last year on imported and domestic ready-to-eat food products such as frozen peas, corn, spinach and berries. In 2002–03, the CFIA collected 314 samples out of a total of 463 planned (67.8 percent) for microbiological analysis. The overall compliance rate for products tested was very high (94.9 percent).

Compositional analysis included testing for sulphites, vitamin C, calcium and artificial sweeteners. In 2002–03, the Agency collected 388 samples for compositional analysis and 34 (8.75 percent) were determined to be unsatisfactory, indicating that this is an area that requires continued Agency focus.

Incidents/recalls: Of 381 recalls in 2002–03, 61 (16 percent) were for processed products, 32 (53 percent) were for processed fruits, 15 (25 percent) were for processed vegetables and 14 (23 percent) were for maple products. Imported products accounted for 79 percent of all processed products recalled and 29.5 percent of recalled processed fruit and vegetable and maple products were from non-registered establishments. Imported products not complying with regulations were, in most cases, sent back to their country of origin. Domestic products were disposed of or brought into compliance.

Education/awareness activities are carried out to enhance industry understanding of current regulations and standards. In 2002–03, the Processed Products Program conducted a series of presentations to help industry better understand and adjust to changes to the *Processed Product Inspection Manual and Regulations*.

1.7 EGG

CFIA Role

Canadians consumed approximately 15.4 dozen eggs per capita, as shell eggs or ingredients in food products, in 2002–03.

The CFIA's Egg Program promotes public health by verifying that shell eggs and processed egg products from federally registered establishments, and imported eggs and egg products, are wholesome and safe for consumption. The CFIA's regulatory activities help to maintain consumer and market confidence that eggs are graded according to established standards and are packaged and labelled to correctly inform consumers.

Description of the Program

The CFIA is responsible for verifying that the egg industry operates within regulatory requirements. Under the mandate of the *Canada Agricultural Products Act*, the CFIA enforces the *Egg Regulations* and the *Processed Egg Regulations*. The CFIA also sets the policies, product and process standards for eggs and egg products, and for federally registered egg grading stations and egg processing plants. Regulations cover all aspects of grading, processing and packaging of eggs and egg products.

During 2002–03, the Egg Program was delivered at a cost of approximately \$10 million, representing 1.8 percent of Agency spending. A total of 59 staff were dedicated to delivery of the Egg Program across Canada.

The CFIA works with the Canadian Egg Marketing Agency (CEMA) and provincial partners on food safety. CEMA and provincial marketing boards test for the presence of *Salmonella enteritidis* in layer barns, and the CFIA monitors federally registered grading stations. These programs help to identify and control potential hazards. Eggs are a supply-managed commodity, and the Department of Foreign Affairs and International Trade is responsible for issuing import permits for eggs and egg products. The CFIA monitors imports to ensure shipments have valid permits.

Planned 2002–03 Activities and Performance

In delivering the Egg Program, the CFIA inspects both establishments and products. Federal registration is required for all establishments that process eggs, apply a Canada grade name, or engage in inter-provincial or international trade of shell or processed eggs. The CFIA inspects Canada's 342 federally registered egg grading facilities and 19 processed egg facilities. Sanitation, operation, maintenance and employee food-handling practices are monitored. Last year, 1400 establishment inspections, or 75 percent of those planned for the year, were carried out at shell egg grading stations. For shell egg establishments, inspection frequency is based on compliance rates from the previous five inspections and on the volume of eggs graded. Larger volume establishments undergo more frequent inspections. Establishments that do not maintain an acceptable rating are required to implement an action plan to correct problems. The CFIA may suspend or de-register the establishment.

CFIA inspectors conduct ongoing monitoring of plant sanitation and process controls in the 19 processed egg establishments and complete weekly written reports detailing issues that establishment operators must correct to maintain compliance.

Registered establishments are subject to environmental testing to monitor for the presence of *Salmonella* and other potentially pathogenic microorganisms. In shell egg grading stations, ungraded and graded product areas are swabbed to monitor for *Salmonella*. Last year, 517 environmental samples were taken in shell egg grading stations, representing 62 percent of the planned sampling for the year. Five percent of tested samples were found to be positive for *Salmonella*. In all cases, when a positive test is received, the plant must be cleaned thoroughly and the plant sanitation program reviewed. A follow-up sampling is conducted to verify that corrective actions were effective.

Sampling of egg wash water is also carried out in shell egg grading stations. Wash water is tested for pH, temperature and aerobic colony counts. These factors, when properly maintained, reduce the survival chances of *Salmonella*. Last year 298 wash water samples were analysed, representing 78 percent of the samples planned for the year. The compliance rate was 90 percent. When wash water samples exceed established standards, the plant must review its wash water monitoring program and take corrective steps. A follow-up sampling is taken to verify the corrective action was effective.

Sampling for *Salmonella* and *Listeria monocytogenes* in processed egg establishments verifies the effectiveness of sanitation procedures, preventing these bacterial threats to human health. Last year, 56 environmental samples, or 82 percent of those planned for the year, were taken. The compliance rate was 91 percent. When a positive test is received, the plant must act immediately by cleaning the area thoroughly and reviewing its plant sanitation program. A follow-up sampling verifies the corrective action was effective.

Product inspection focuses on imported and domestic shell eggs and processed eggs. The CFIA monitors **shell eggs** for the following: grade compliance, nutritional composition, microbiological contamination and chemical residues. In 2002–03, 1228 domestic shell egg product inspections were carried out, representing 67 percent of the target for the year.

Grade compliance monitoring includes inspection for quality and safety factors such as weight, freshness, cleanliness and shell soundness. In 2002–03, 2869 lots of shell eggs were monitored for grade compliance. The rate of compliance was high at 97 percent, compared with 96 percent in 2001–02. The main reasons for product rejection were health and safety (dirty or cracked shells) and fraud (underweight product). Non-compliant product was re-graded, sent for processing and pasteurization, or discarded.

Nutritional composition analysis includes testing for nutritional claims such as cholesterol, omega-3 fatty acids and other fats to verify that claims on egg carton labels are accurate. Laboratory testing revealed that 52 percent of samples tested were in violation. While this is not a food safety issue, it does denote a misrepresentation to consumers of the product's nutritional composition. Since this is an area of concern, the CFIA will focus on nutritional claims made by the egg industry. Non-compliant test results lead to follow-up investigations, which may require the removal of claims from labels.

Over the next few years, nutrition facts tables will appear on egg cartons and processed egg packages, as a result of new Health Canada regulations. Mandatory declaration of nutrition facts will allow consumers to compare the nutrient content of specialty eggs (e.g., omega-3 and vitamin-enhanced eggs) and egg products.

Foreign countries exporting to Canada must first have a national inspection system and standards and processing controls equivalent to Canadian standards. Imported products are certified by the appropriate authorities of the foreign country and monitored by the CFIA for compliance upon arrival in Canada.

In 2002–03, there were 8.3 million dozen shell eggs imported for the table market, with a grade compliance rate of 94.8 percent, down from 97 percent in 2001–02. Another 11.1 million dozen shell eggs were imported for the processing industry.

In 2002–03, 187 imported shell egg samples were tested for the presence of *Salmonella enteritidis* in the internal contents of the eggs. No violations were found.

Processed egg products are sampled for microbiological contamination, such as *Salmonella* and *Listeria monocytogenes*, and for composition to verify that regulatory standards are met.

A total of 105 million kg of processed egg products (liquid, frozen, dried or cooked egg products) were produced in Canada last year. Samples representing 6.4 million kg, or 6 percent of product, were monitored for microbiological and compositional compliance. The rate of compliance was 94.5 percent. Product found to be in violation was assessed and then reprocessed, designated as inedible product, or discarded as appropriate.

There were 9.2 million kg of processed egg imported in 2002–03, of which 91.6 percent was used at Canadian egg processing facilities. Sixty loads of liquid, frozen or dried pasteurized product were monitored for microbiological and compositional compliance, and 59 loads were in compliance.

CFIA inspectors certified 12.4 million kg of processed egg for export to 24 countries. Exported product is certified to meet Canadian safety and quality standards and the requirements of importing countries. Any non-compliant product returned to Canada would be assessed to determine the reason for the rejection and the appropriate corrective action required. In 2002–03, no exported product was returned for food safety concerns.

Chemical residue analysis: The CFIA tests both domestic and imported eggs and egg products for the presence of chemical residues, such as veterinary drugs, antibiotics, pesticides and environmental contaminants, that may exceed Health Canada limits and pose a human health risk. Last year, 2614 lots (1459 domestic and 1155 imported) were tested with a compliance rate of 99.9 percent. There was only one domestic shell egg sample found to be in violation because it contained clopidol, a veterinary drug residue that controls coccidiosis in animals.

Incidents/recalls: CFIA inspectors responded to 101 complaints last year concerning imported and domestic shell eggs and egg products. The complaints related to grade compliance, illegal marketing of ungraded eggs and the use of false claims. Of 381 food recalls issued by the CFIA last year, only one involved egg product produced in a federally registered plant. The product was recalled due to a quality concern.

1.8 DAIRY

CFIA Role

Canadians on average consume 87 litres of milk, 14 litres of yogurt and ice cream, and 18 kg of butter, cheese and other dairy products per year.¹⁹ Of 459 dairy establishments in Canada, approximately 291 or two-thirds are federally registered and fall under the purview of the CFIA.

Description of the Program

During 2002–03, the Dairy Program was delivered at a cost of approximately \$8.6 million, or 1.5 percent of total Agency spending. A total of 61 staff were dedicated to the delivery of this program.

Under the authority of the *Canada Agricultural Products Act*, the CFIA enforces the *Dairy Product Regulations*. They set out requirements for registration, operation and maintenance of establishments, grading, inspection, packing and labelling of dairy products, and interprovincial and international trade. The CFIA is responsible for verifying that the dairy industry operates within regulatory requirements.

All establishments processing dairy products for export or interprovincial trade must be federally registered. In 2002–03, there were 291 federally registered dairy plants in Canada.

Health Canada develops health and safety standards for dairy products, which are enforced by the CFIA. The Canadian Dairy Commission develops supply management policies and programs to meet the needs of industry. Departments of agriculture and/or health in all provinces manage and control dairy quality programs and set and apply sanitary standards for milk production and dairy processing. There are about 168²⁰ provincially inspected dairy establishments that produce and sell their products within province. Provincial marketing boards and agencies govern the production and marketing of milk within their jurisdictions.

Planned 2002–03 Activities and Performance

The CFIA uses a series of approaches to encourage and assess the dairy industry's compliance, including establishment and product inspection, enforcement activities and education.

Establishment inspections: The CFIA inspectors carry out establishment inspections to ensure that dairy products are produced under sanitary conditions.

Establishments are subject to three types of inspections. In-depth inspection is an annual evaluation of the establishment's control programs, equipment and environmental conditions. Good Manufacturing Practices (GMP) inspections take place about six times per year and focus on activities that have the most impact on public health, such as pasteurization. They also verify that previously identified infractions have been corrected. Establishments found to have critical health and safety deficiencies are ordered to correct them immediately or the implicated product is detained or recalled. The CFIA completed 1034 or 87 percent of 1195 planned GMP inspections in 2002–03, compared with 1018 completed in 2001–02.

Enforcement activities: The Agency uses recalls, warning letters, product detentions, suspensions of registrations or deregistration to deal with non-compliance. In 2002–03 there were 39 product detentions issued for domestic dairy products and 64 detentions issued for imported dairy products. Detained products must be brought into compliance or destroyed. Imported products are returned to the country of origin. Common reasons for detention include inaccurate labelling or microbial problems.

The final type of inspection is the audit, performed in FSEP-recognized establishments. Audits verify that an establishment applies its specific HACCP plans. The CFIA has granted FSEP recognition to 47 registered dairy establishments, including 10 that gained recognition in 2002–03. In total, 87 establishments

¹⁹ *Canadian Dairy Industry Profile: 2002, Agriculture and Agri-Food Canada. Consumption figures shown are for the 2001-02 fiscal year.*

²⁰ *The number of establishments may vary as establishments close and new businesses open.*

have requested recognition and 82 are in the process of being recognized. Adoption of HACCP plans is voluntary.

The Agency conducted 197 in-depth inspections of the 230 planned, representing 85.7 percent of those planned for the year. Of these verifications, 93.9 percent (185) were in compliance with regulations. This rate is similar to the compliance rate for 2001-02, when the compliance rate was 93 percent and 196 in-depth inspections were completed.

Product inspections: Product inspections verify net quantity, label, ingredient and grade verifications, and container integrity. Sampling plans are established yearly to monitor compliance to safety and quality standards and to detect unfair marketing practices such as adulteration and incorrect label declarations. Laboratory testing is performed by the CFIA in addition to tests by the registered establishment or importer. Last year, dairy products assessed by the CFIA demonstrated high rates of compliance.

DAIRY PRODUCT TESTING RESULTS

Activity	Description/Purpose	Planned Activities	Results
Chemical Residue Sampling	Butter, cheese, powders and milk are analysed to monitor compliance to maximum residue levels for chemicals and pesticides.	515 domestic and 164 import submissions sent for laboratory testing. A total of 3886 tests were performed.	Zero to 3.97% of tested product exceeded maximum residue limits. (See additional information below *)
Microbiological Sampling	Dairy products are analysed to monitor compliance to microbiological requirements.	As per sampling plan	National summary data not available
Composition Sampling	Dairy products are analysed to monitor compliance to quality and nutrition standards and to detect unfair marketing practices.	As per sampling plan	National summary data not available
Environmental Sampling	The dairy establishment is assessed for pathogens to determine if sanitation programs and practices are effective	Surveillance basis (at the discretion of the inspector)	National summary data not available
Label Verification	Labels are assessed for accuracy and compliance to mandatory label requirements and composition standards.	Of 799 domestic label verifications, 188 were not in compliance; of 141 import verifications, 47 were not in compliance.	Domestic 76.5% satisfactory Import 66.6% satisfactory
Ingredient Verification (Domestic Products)	Verification of formulation of dairy products to assess completeness/ accuracy of ingredients listed on labels.	Of 470 domestic label verifications, 74 were not in compliance.	84.3% satisfactory

DAIRY PRODUCT TESTING RESULTS (CONTINUED)

Activity	Description/Purpose	Planned Activities	Results
Net Quantity Verification	Monitor accuracy of net quantity declarations on dairy product packages.	Of 417 domestic net quantity verifications, 21 were not in compliance. Of 16 import net quantity verifications, 3 were not in compliance	Domestic 95% satisfactory Import 81.2% satisfactory
Approved Material Verification (Domestic Products)	To verify non-food chemicals, packaging materials and construction materials are acceptable and used for permitted purposes.	Of 160 material verifications, 24 were not in compliance	85% satisfactory
Can Integrity Inspection (Domestic Products)	Physical examination of containers of canned dairy products for defects.	Of 2 can integrity inspections, 0 were not in compliance	100%
Grade Verification (Domestic Products)	To verify cheddar cheese, butter and powders marked with Canada grade marks meet grades stated on package	Of 87 grade verification inspections, 5 were not in compliance	94.3% satisfactory
Export Verification (Domestic Products)	To review and verify accuracy of export documentation	Of 193 export verifications, 16 were not in compliance	91.7% satisfactory

* The CFIA tests for the presence of chemical residues such as antibiotics, veterinary drugs, pesticides or environmental contaminants, which may pose a human health risk, in domestic and imported dairy products. For 2002–03, national summary data concerning the results of chemical residue monitoring showed that all test results in raw milk and cheese were negative for residues of antibiotics, chloramphenicol, endectocides (anti-parasite drugs), flunixin, sulphonamides, pesticides, and phenylbutazone (veterinary drug for pain and inflammation). Mycotoxin (a toxin produced by mould) residue tests in dairy products revealed a high compliance (99.6%).

Incidents and recalls: Of 381 food recalls in 2002–03, 16 were for dairy products. Nine were from federally registered establishments, five were for imported dairy products and two were from non-federally registered dairy establishments. The main cause was pathogenic bacteria. When recalls are issued, the CFIA ensures the product is removed from distribution and inspectors check store shelves as part of effectiveness procedures. This is followed by an investigation into causes of the recall to make sure corrective actions are taken so the incident is not repeated.

Education/awareness: Activities take place on an as- and when-required basis to increase industry's understanding of regulations and standards. The dairy program undertakes educational activities in the Dairy Technical Association, a national industry group.

1.9 HONEY

CFIA Role

Canadian honey consumption averages about one kg per person per year. During 2002 about 10 000 Canadian beekeepers produced 33.3 million kg of honey. Up to half of the total was exported, primarily to the United States. About 150 Canadian firms imported approximately 8.1 million kg of honey, mainly from Argentina, China and the United States.

The CFIA enforces regulations so that domestically produced and imported honey meets federal standards. The Agency's activities promote public health by verifying that honey is safe and suitable for consumption. The CFIA's regulatory activities help to maintain consumer and market confidence in honey.

Description of the Program

During 2002–03, the Honey Program was delivered at a cost of approximately \$2 million, representing approximately 0.4 percent of total Agency spending. Ten staff were dedicated to the delivery of this program.

Under the mandate of the *Canada Agricultural Products Act*, the CFIA enforces the *Honey Regulations*, which set out requirements for the registration, operation and maintenance of honey establishments, in addition to the grading, inspection, packing and labelling of honey and its interprovincial and international trade. The CFIA verifies that the Canadian honey industry operates within regulatory requirements to ensure any honey imported or leaving federally registered establishments is safe, wholesome and appropriately labelled.

All honey establishments that apply a Canada grade to their product or produce, or pack or pasteurize honey for export or interprovincial trade must be federally registered. As a condition of this registration, the CFIA inspects all establishments once a year.

In most provinces the beekeeping industry is served by provincial apiculturists who are responsible for the registration of beekeepers, bee health, management practices and other issues affecting beekeepers.

The CFIA enforces honey health and safety standards set by Health Canada.

Planned 2002–03 Activities and Performance

The CFIA uses several approaches to encourage and assess the honey industry's compliance, including verification and enforcement activities and education. Performance indicators for the Honey Program are industry compliance, enforcement actions, results of product testing and honey-related incidents and recalls.

Establishment inspections, audits and compliance verifications: CFIA inspectors verify that federally registered honey establishments meet regulatory requirements. In 2002–03, there were 176 beekeepers registered as honey producer-graders in Canada. Additionally, 31 establishments packed honey and 9 honey pasteurizing facilities maintained federal registrations. Establishments are subject to inspections or audits.

In-depth inspections are annual evaluations of establishment control programs, equipment and environmental conditions. The Agency conducted 201 in-depth establishment inspections; 99 percent were in compliance with regulations, a rate identical to last year's. When an establishment is out of compliance, the CFIA takes action such as directed inspections to verify that deficiencies have been corrected. There were 59 directed and follow-up inspections in 2002–03.

FSEP is a voluntary, HACCP-based program for the honey industry. Audits may be performed by the CFIA in FSEP-recognized establishments. One FSEP audit took place in 2002–03. There are two FSEP-recognized honey establishments in Canada.

Product testing includes chemical residue, adulteration, compositional and microbiological testing. Honey manufactured in registered establishments and imported honey is subject to inspection. Verification of grade, labels, net quantity and ingredients ensures that consumers are not being misled.

Chemical residue monitoring tests for chemicals such as veterinary drugs and or environmental contaminanats. In 2002–03, 257 samples were analysed. The following compliance rates were found: 77 percent compliance for tetracyclines, 96 percent for sulfonamides, 99 percent for benzaldehyde and 99 percent compliance for phenols. Of 957 submissions of imported honey analysed, there was 88 percent compliance for tetracyclines, 77 percent for sulfonamides and 97 percent compliance for phenols. Extensive testing carried out on honey from China determined that honey of Chinese origin was contaminated with the banned drug, chloramphenicol. Testing in previous years on honey from China revealed that sulfa drugs were also a problem. As a result, the CFIA placed Chinese honey under a strict hold and test procedure for most of 2002.

Last year, the CFIA worked closely with the Canadian honey industry and Health Canada to set appropriate Maximum Residue Limits (MRLs) for drugs approved for use in the Canadian beekeeping industry.

Adulteration sampling determines if cane sugar or corn syrup are blended into honey. These sugars are cheaper than honey and make adulteration a lucrative but illegal practice. Product testing was carried

out on 31 domestic samples and 91 imported samples. The compliance rate on domestically produced honey was 94 percent, compared with 92 percent in 2001–02. Honey adulterated with other sugars was seized by CFIA inspectors and removed from sale.

In 2002–03, the compliance rate for imported honey was 95 percent, compared with 80 percent in 2001–02 because the CFIA's sampling of imports has discouraged foreign countries from exporting adulterated product to Canada.

Compositional sampling monitors for factors such as moisture, colour, sucrose, acidity and solids, to ensure that pure honey is being marketed. The compliance rate for domestic honey was 100 percent, and 67 percent for imported honey.

Microbiological sampling: There were 35 samples of domestic honey and 10 samples of imported honey analysed for the presence of yeasts and moulds. There was 97 percent compliance on domestic honey and 90 percent on imports.

The following table outlines additional tests performed on honey to verify grade standards, label accuracy, net quantity claims and export certification.

HONEY INSPECTION RESULTS

Activity	Description/Purpose	Results
Grade Verification	Imported honey and honey produced in registered establishments must meet grade standards (Canada 1,2 or 3).	Domestic—97% compliance Import—100% compliance
Label Verification	Honey or honey product labels are assessed for accuracy and compliance to requirements.	Domestic—96% compliance Import—100% compliance
Net Quantity Verification	Honey is monitored to verify the accuracy of net quantity claims on containers.	Domestic—99% compliance Import—100% compliance
Ingredient Verification	On-site verification of the formulation of a honey product assesses the accuracy of listed ingredients.	Domestic—100% compliance
Export Certification	Certification of honey to meet foreign country requirements.	3 shipments of honey certified for export

Enforcement activities: The CFIA's graduated response to non-compliance incidents may include warning letters, suspensions of registration, deregistration, detention of product and product recalls.

In 2002–03, 40 warning letters were sent to registered establishments found with honey in violation of the *Food and Drugs Act*. This was primarily due to a lack of established MRLs for antibiotics traditionally used by beekeepers to control diseases in the hive. Laboratory methodologies used at CFIA's residue labs are more sensitive than in past years, resulting in an increase in product violations. With no established MRL, a positive result, regardless of the level, is considered to be a violation that requires enforcement action. There were 19 detentions of domestic honey and 46 detentions of honey imported into Canada. Honey of Chinese origin made up the majority of import detentions.

Incidents/recalls: In 2002–03, of 27 food recalls for honey, 21 were for imports, 5 were for honey from unregistered establishments and 1 was for honey from a federally registered establishment. There were 5 honey recalls in 2001–02, 4 for imported honey and 1 for honey produced in a registered establishment. The main reason for the increase in the number of recalls in 2002–03 was findings of chloramphenicol in Chinese honey. As a result, a strict honey import policy was implemented in 2002, and 100 percent of honey from China was tested.

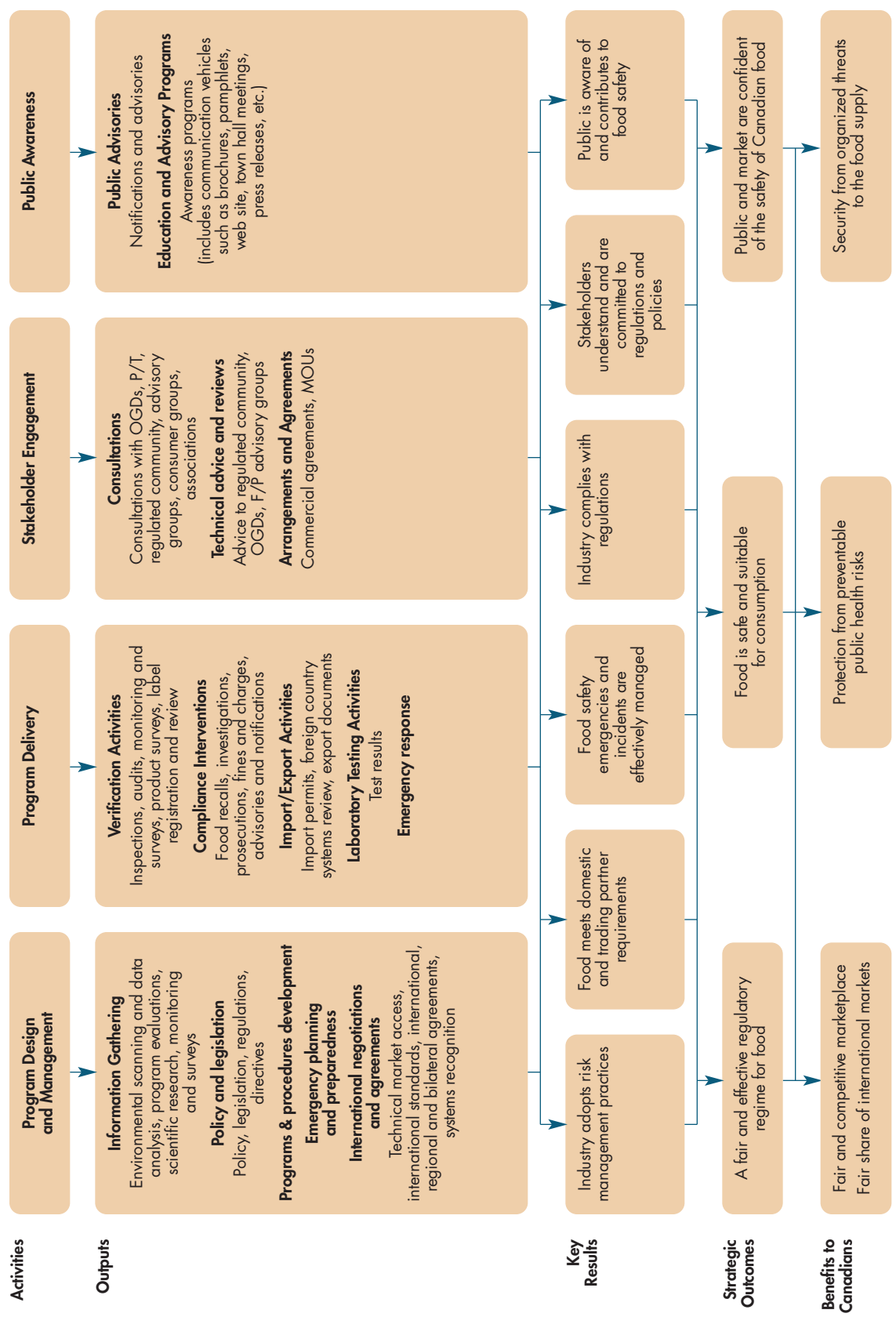
Education/awareness activities are carried out collaboratively with provincial beekeeping associations and the Canadian Honey Council, to increase the industry's understanding of regulations and standards. The *Honey Establishment Inspection Manual* and the *Honey Product Inspection Manual* are being updated. The latter is scheduled for release at the end of 2003. To improve communication with industry stakeholders, a Honey Program information mailing list is being developed.

A photograph of a scientist in a white lab coat and glasses, focused on his work in a laboratory. He is holding a petri dish in his left hand and a pipette in his right hand. The background shows various laboratory equipment, including a rack of petri dishes and a pipette tip box. The image is overlaid with a semi-transparent white circle on the right side.

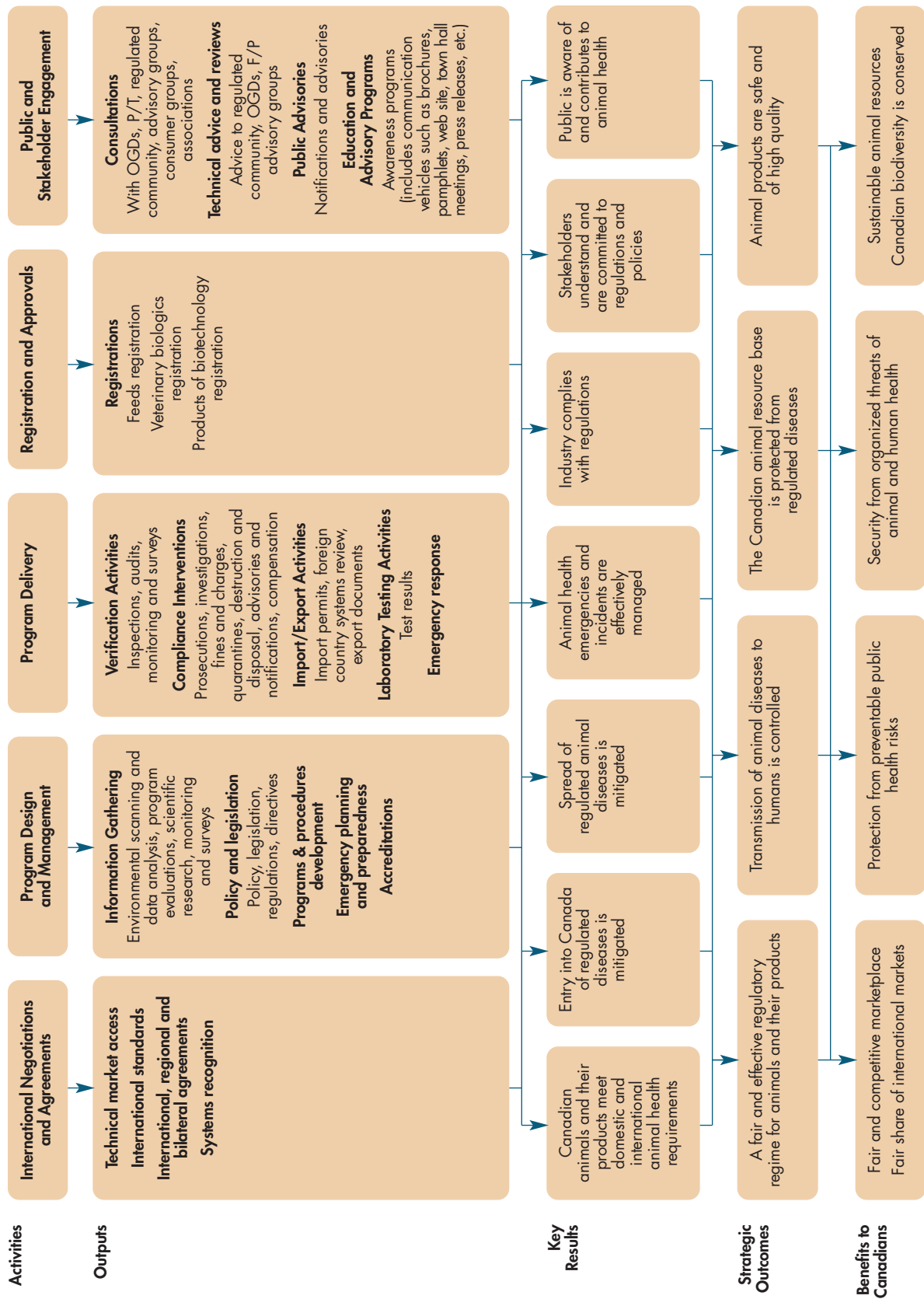
ANNEX 2

BUSINESS LINE LOGIC MODELS

FOOD SAFETY – LOGIC MODEL



ANIMAL HEALTH – LOGIC MODEL



PLANT PROTECTION – LOGIC MODEL

