



Agriculture and  
Agri-Food Canada

Agriculture et  
Agroalimentaire Canada

# **AGRICULTURE AND AGRI-FOOD CANADA**

**Quarterly Financial Report  
For the quarter ended December 31, 2018**

## **AGRICULTURE AND AGRI-FOOD CANADA**

### **Statement outlining results, risks and significant changes in operations, personnel and programs**

#### **Introduction**

Agriculture and Agri-Food Canada's Quarterly Financial Report should be read in conjunction with the Main Estimates. This report has been prepared as required by section 65.1 of the *Financial Administration Act* and in the form and manner prescribed by the Treasury Board. As such, it has not been subject to an external audit or review.

Detailed information on Agriculture and Agri-Food Canada's program activities can be found in the [Departmental Plan](#).

#### **Basis of Presentation**

This quarterly report has been prepared using an expenditure basis of accounting. The accompanying Statement of Authorities includes the Department's spending authorities granted by Parliament and those used by the Department consistent with the Main Estimates for the 2018-2019 fiscal year. This quarterly report has been prepared using a special purpose financial reporting framework designed to meet financial information needs with respect to the use of spending authorities.

The authority of Parliament is required before monies can be spent by the Government. Approvals are given in the form of annually approved limits through appropriation acts or through legislation in the form of statutory spending authority for specific purposes.

The Department uses the full accrual method of accounting to prepare and present its annual departmental financial statements that are part of the departmental performance reporting process. However, the spending authorities voted by Parliament remain on an expenditure basis.

# **AGRICULTURE AND AGRI-FOOD CANADA**

## **Quarterly Financial Report**

**For the quarter ended December 31, 2018**

### **Highlights of fiscal quarter and fiscal year-to-date (YTD) results**

#### **Authorities**

Agriculture and Agri-Food Canada's Quarterly Financial Report reflects the results of the 2018-2019 fiscal period ending December 31, 2018, for which full supply of Main Estimates was released on June 22, 2018 and Supplementary Estimates (A) was released on December 13, 2018.

At the end of the third quarter of 2018-2019, Agriculture and Agri-Food Canada had total funding available for use of \$2,597.9 million as detailed in Table 1. This amount includes the 2018-2019 Main Estimates of \$2,516.0 million, the 2018-2019 Supplementary Estimates (A) of \$30.3 million, \$28.1 million of Operating Budget Carry Forward from 2017-2018, \$11.9 million related to proceeds collected from the sale of Crown assets, \$9.6 million of Capital Budget Carry Forward from 2017-2018, and \$2.0 million for compensation adjustments. The net increase of \$201.2 million compared to total authorities at the same time in fiscal year 2017-2018 is due to increases in Budgetary Statutory authorities, Vote 10 Grants and Contributions and Vote 1 Net Operating authorities, partially offset by decreases in Vote 5 Capital authorities.

Vote 1 Net Operating authorities as of December 31, 2018 totalled \$622.4 million, an increase of \$15.8 million from the December 31, 2017 amount of \$606.7 million. This increase is mainly due to a \$10.0 million increase in funding for the transfer of Federal Canal Infrastructure to the Government of Saskatchewan, and a \$5.1 million increase in funding for the Advancing Agricultural Discovery Science and Innovation Program.

Vote 5 Capital authorities at the end of the third quarter of 2018-2019 totalled \$68.9 million, a decrease of \$8.9 million from the December 31, 2017 amount of \$77.8 million. This decrease is primarily due to a reduction of \$16.4 million with the winding down of the Budget 2016 Federal Infrastructure Initiatives and a decrease of \$2.5 million in reinvestment of revenues from the sales or transfers of real properties, partially offset by an increase of \$9.6 million for the 2017-2018 Capital Budget Carry Forward.

Vote 10 Grants and Contributions authority of \$426.6 million as of December 31, 2018 reflects an increase of \$31.9 million from \$394.8 million at the same time in 2017-2018. This is primarily due to new funding of \$51.0 million to implement the Dairy Farm Investment Program and the Dairy Processing Investment Fund, increased funding of \$4.5 million for the Agricultural Clean Technology Program and \$4.5 million for the Canadian Agricultural Adaptation Program. This is partially offset by a decrease of \$28.2 million in the Canadian Agricultural Partnership compared to Growing Forward 2 in 2017-2018 which included unspent funding that had been carried forward from 2016-2017, as well as less funding in the AgriRisk program.

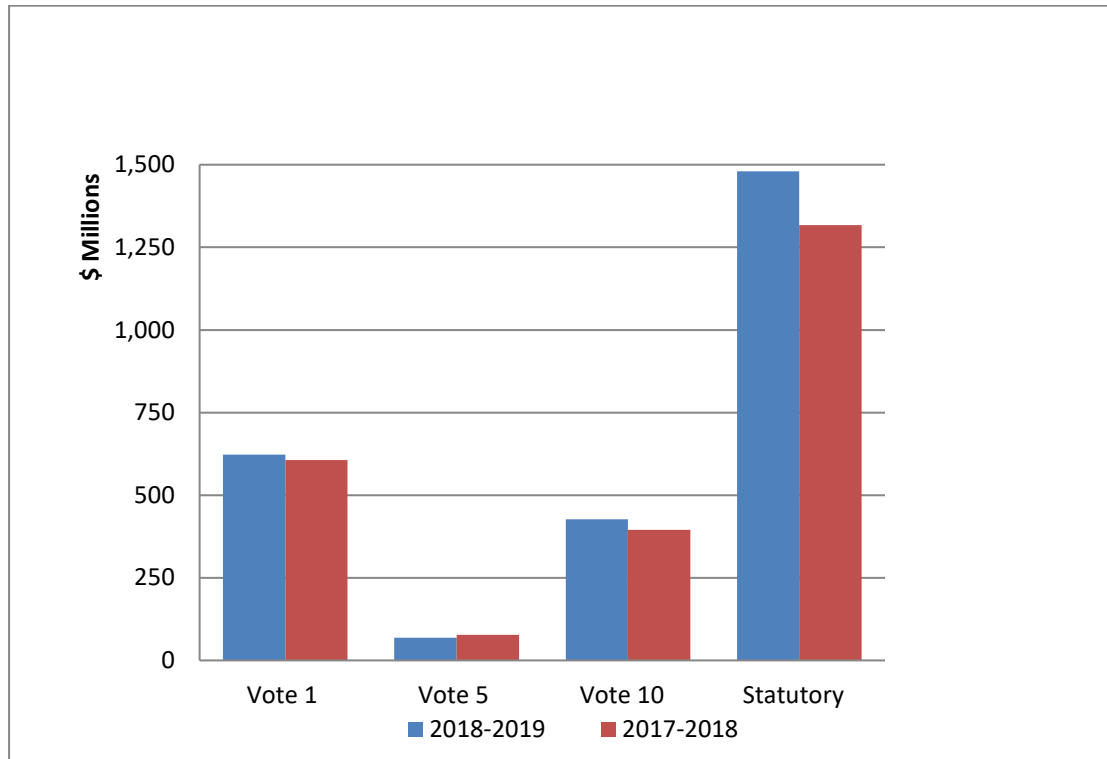
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Budgetary Statutory authorities available as of December 31, 2018 were \$1,479.9 million, an increase of \$162.4 million from the December 31, 2017 amount of \$1,317.5 million. This is mainly due to a \$163.9 million forecast increase in AgriStability spending based on market conditions.

**Graph 1: Comparison of Authorities Available for Use**



**Table 1: Authorities Available for Use (In thousands of dollars) <sup>(1)</sup>**

Authorities	2018-2019	2017-2018	Variiances	Percent
Vote 1 - Net Operating expenditures	622,433	606,655	15,778	3%
Vote 5 - Capital expenditures	68,942	77,817	(8,875)	(11%)
Vote 10 - Grants and Contributions	426,625	394,758	31,867	8%
Budgetary statutory authorities	1,479,857	1,317,462	162,395	12%
<b>Total Authorities</b>	<b>2,597,857</b>	<b>2,396,692</b>	<b>201,165</b>	<b>8%</b>

Note:

(1) Totals may not add due to rounding.

## **AGRICULTURE AND AGRI-FOOD CANADA**

### **Quarterly Financial Report**

**For the quarter ended December 31, 2018**

#### **Expenditures**

As detailed in Table 2, at the end of the third quarter of 2018-2019, the Department had spent \$1,001.2 million, compared to \$1,061.8 million in the same period in fiscal year 2017-2018, a decrease of \$60.6 million, in Voted and Statutory Grants and Contributions, and Vote 1 Operating.

Vote 1 Net Operating expenditures at the end of the third quarter were \$386.0 million, 62% of the total available for use of \$622.4 million, which is less than expenditures of \$400.4 million or 66% of the total available for the same period last fiscal year. The overall decrease of \$14.4 million is due to decreased retroactive salary payments of \$23.4 million, partially offset by a \$9.5 million increase in salary expenditure due to an increase in Full Time Equivalents (FTEs) and higher salary rates as a result of the collective bargaining agreements.

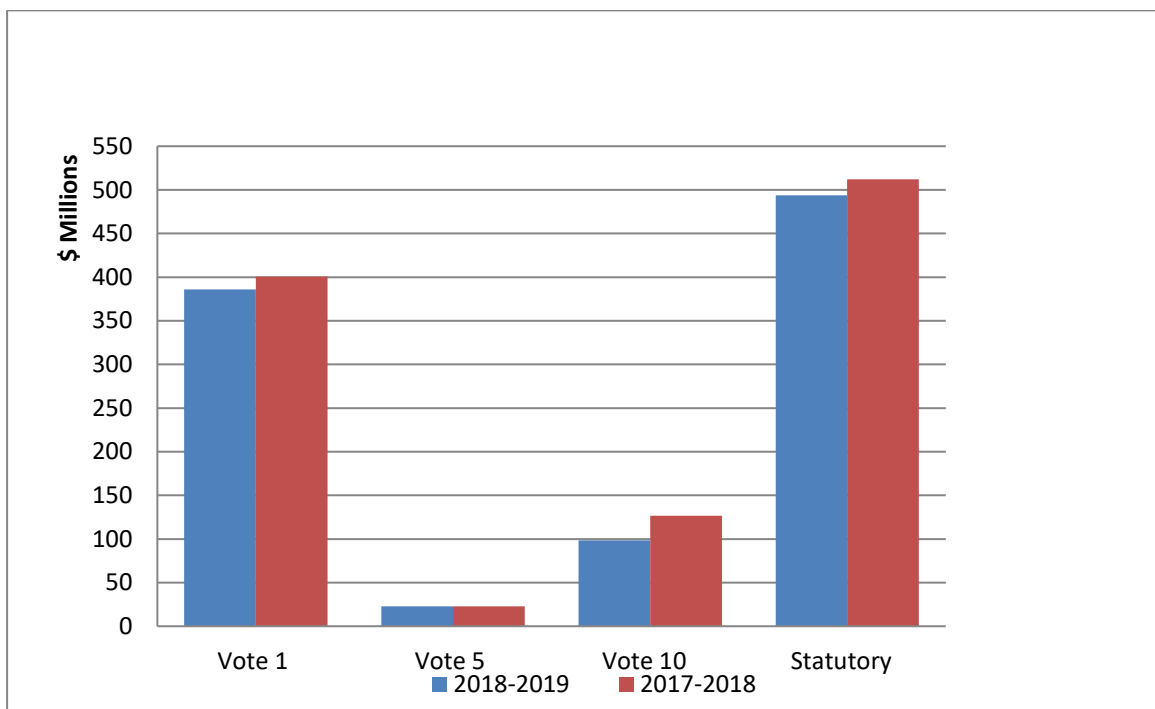
Vote 5 Capital expenditures at the end of the third quarter were \$22.9 million or 33% of the total available for use of \$68.9 million. For the same period in 2017-2018, expenditures were \$22.7 million or 29% of the budget of \$77.8 million.

Vote 10 Grants and Contributions expenditures at the end of the third quarter of 2018-2019 were \$98.5 million or 23% of the total available for use of \$426.6 million, compared to \$126.6 million, or 32% of the total available for use for the same period last fiscal year. The decrease of \$28.1 million is mainly attributed to a \$61.6 million decrease in program spending due to the first year implementation of the Canadian Agricultural Partnership. This decrease is partially offset by a \$32.7 million increase in spending in support of the implementation of the Dairy Farm Investment Program and the Dairy Processing Investment Fund.

Budgetary Statutory Authorities expenditures at the end of the third quarter of 2018-2019 were \$493.8 million compared to \$512.0 million for the same period of the previous year. The \$18.2 million decrease is attributed to several offsetting factors: \$18.4 million decrease in the AgriInsurance Program due to timing, frequency, and materiality of claims received, and \$7.6 million increase in recoveries under the Assistance to the Pork Industry Initiative, partially offset by an increase of \$2.7 million in spending of the AgriInvest program, \$2.5 million increase in Payments in connection with the Agricultural Marketing Programs Act, and \$2.1 million increase in contributions to Employee Benefit Plans.

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**Quarterly Financial Report**  
For the quarter ended December 31, 2018

**Graph 2: Comparison of Expenditures**



**Table 2: Expenditures (In thousands of dollars) <sup>(1)</sup>**

<b>Expenditures</b>	<b>2018-2019</b>	<b>2017-2018</b>	<b>Variance</b>	<b>Percent</b>
Vote 1 - Net Operating expenditures	385,994	400,418	(14,424)	(4%)
Vote 5 - Capital expenditures	22,856	22,716	140	1%
Vote 10 - Grants and Contributions expenditures	98,501	126,633	(28,132)	(22%)
Budgetary statutory expenditures	493,809	512,035	(18,226)	(4%)
<b>Total Net Budgetary Expenditures</b>	<b>1,001,160</b>	<b>1,061,802</b>	<b>(60,642)</b>	<b>(6%)</b>

Note:

(1) Totals may not add due to rounding.

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## Quarterly Financial Report

For the quarter ended December 31, 2018

### Expenditures in Comparison to Authorities

At the end of the third quarter of 2018-2019, the Department had spent \$1,001.2 million (39% of the total funding available for use), compared to \$1,061.8 million for the same period in fiscal year 2017-2018 (44% of the total funding available for use).

**Graph 3: Comparison of Total Authorities and Total Net Budgetary Expenditures as of December 31, for fiscal years 2018-2019 and 2017-2018**

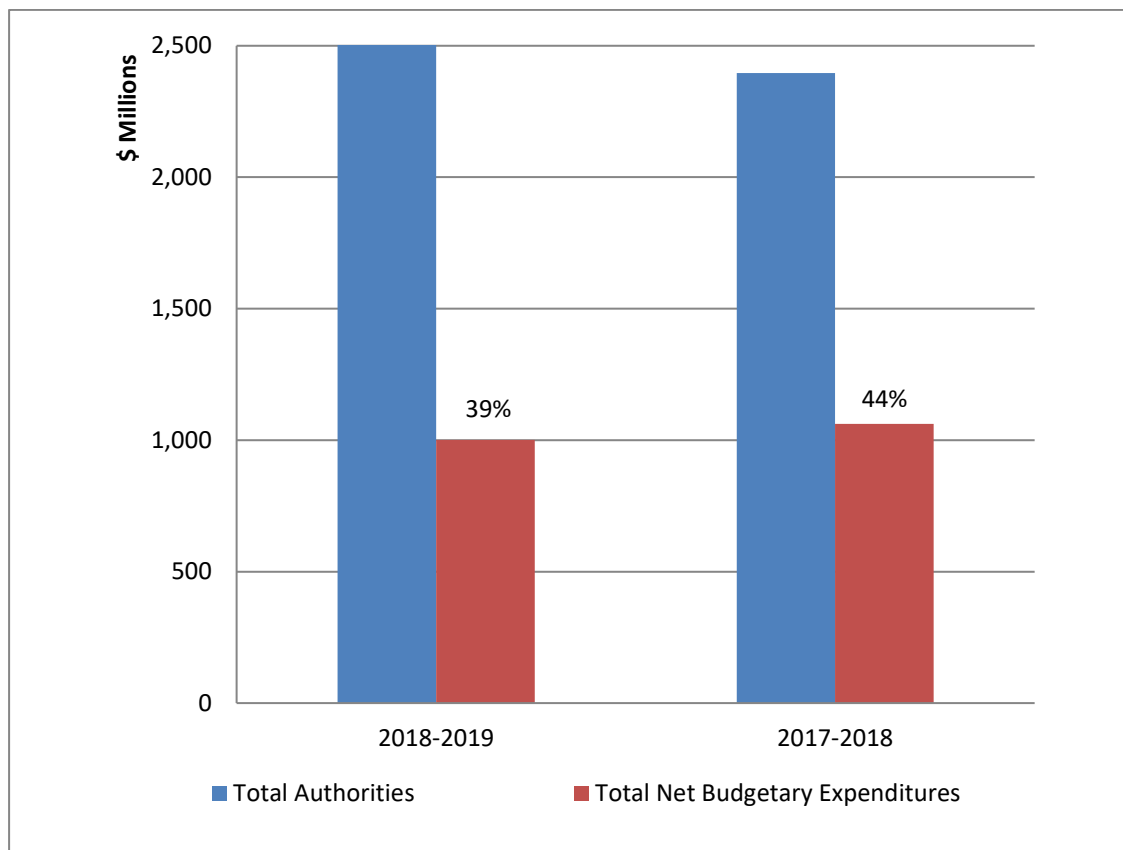


Table 3 presents budgetary expenditures by standard object. Total net budgetary expenditures by standard object have decreased by \$60.6 million in the first three quarters of 2018-2019 compared to the same period last year. The decrease of \$49.7 million or 8% in Transfer payments is mainly caused by a \$61.6 million decrease in program spending due to the first year of Canadian Agricultural Partnership implementation, a decrease of \$18.4 million in the AgriInsurance Program due to timing, frequency, and materiality of claims received, and an increase in recoveries of \$7.6 million under the Assistance to the Pork Industry Initiative. These decreases are partially offset by a \$32.7 million increase in spending in support of the implementation of the Dairy Farm Investment Program and the Dairy Processing Investment Fund, a \$2.7 million

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**For the quarter ended December 31, 2018**

increase in AgriInvest Program, and a \$2.5 million increase in spending in connection with the Agricultural Marketing Programs Act.

The decrease of \$12.9 million or 3% in Personnel is primarily attributed to the \$23.4 million decrease in salary retroactive payments for employees, and partially offset by \$9.5 million increase in salary expenditure due to an increase in Full Time Equivalents (FTEs) and higher salary rates as a result of the collective bargaining agreements.

The decrease of \$4.4 million or 7% in Professional and Special Services is mainly attributed to a decrease of \$3.3 million in Information technology service expenditures, and a decrease of \$2.0 million due to the Natural Sciences and Engineering Research Council Visiting Fellows Program which is phasing out, as well as decreased expenditures from various professional services, partially offset by an increase of \$2.1 million in the Information Technology consulting services.

Agriculture and Agri-Food Canada has total Revenue Spending authority of up to \$57.1 million for 2018-2019. The revenue is generated from collaborative research agreements between Agriculture and Agri-Food Canada and third parties, recoveries for costs related to Internal Support Services provided to other departments and the administration of the AgriStability Program. The Department has generated \$40.3 million in revenues up to the third quarter of 2018-2019 compared to \$46.3 million for the same period last year. The \$6.0 million revenue decrease is primarily attributed to a \$6.1 million decrease in revenue for the Community Pastures Program which is being wound down, a \$3.1 million decrease due to the timing of invoicing and collections from other Government Departments related to Human Resources, Information Management, and Information Technology services, and a \$1.0 million decrease associated with Industry led projects due to timing differences associated with signing new collaborative research agreements for the new Canadian Agricultural Partnership. These decreases are partially offset by a \$3.5 million increase in recoveries for Financial Management IT services provided to Canadian Nuclear Safety Commission, who have joined Agriculture and Agri-Food Canada's financial system (SAP) cluster. Currently there is over \$3.0 million in other Government Departments' cost recoveries in progress.



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For the quarter ended December 31, 2018

**Table 3: Budgetary Expenditures by Standard Object (In thousands of dollars) <sup>(1)</sup>**

<b>Expenditures</b>	<b>2018-2019</b>	<b>2017-2018</b>	<b>Variiances</b>	<b>Percent</b>
Personnel	364,693	377,548	(12,855)	(3%)
Transportation and communications	9,725	9,965	(240)	(2%)
Information	3,888	3,315	573	17%
Professional and special services	54,906	59,333	(4,427)	(7%)
Rentals	4,624	5,265	(641)	(12%)
Repairs and maintenance	9,143	8,618	525	6%
Utilities, materials and supplies	18,368	20,216	(1,848)	(9%)
Acquisition of land, buildings and works	9,945	11,579	(1,634)	(14%)
Acquisition of machinery and equipment	13,788	12,982	806	6%
Transfer payments	539,334	589,037	(49,703)	(8%)
Other subsidies and payments	13,001	10,221	2,780	27%
<b>Total Gross Budgetary Expenditures</b>	<b>1,041,415</b>	<b>1,108,079</b>	<b>(66,664)</b>	<b>(6%)</b>
Less: Revenues netted against expenditures	40,255	46,277	(6,022)	(13%)
<b>Total Net Budgetary Expenditures</b>	<b>1,001,160</b>	<b>1,061,802</b>	<b>(60,642)</b>	<b>(6%)</b>

Note:

(1) Totals may not add due to rounding.

### Risks and Uncertainties

Agriculture and Agri-Food Canada continues to exercise prudent management in delivering its policies and programs. The Department has established processes to identify, assess, monitor, and respond to a variety of corporate, operational, program and project-level internal and external risks. On an annual basis, the Department identifies risks in fulfilling its responsibilities, develops response strategies and monitors the effectiveness in managing those risks. These risk activities facilitate decision making and priority setting, and contribute to more effective service delivery and efficient use of resources as well as better project management.

In the current environment, supporting employees and managers dealing with pay issues is a top priority for Agriculture and Agri-Food Canada. The department created a Pay Liaison team to proactively mitigate risks and respond to pay issues through: escalation and pay advisory services; outreach and awareness training; communication support and the provision of emergency salary advances and priority payments in response to financial hardship situations. The department actively monitors the pay impacts and corresponding salary payment adjustments resulting from these issue resolution activities.

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For the quarter ended December 31, 2018

### Significant changes in relation to operations, personnel and programs

#### Personnel

On October 29, 2018, Annette Gibbons was appointed to the position of Associate Deputy Minister, Agriculture and Agri-Food Canada.

#### Programs

April 1, 2018 marked the official launch of the Canadian Agricultural Partnership (CAP). The CAP is a five year, \$3 billion commitment by federal, provincial, and territorial governments to strengthen the agriculture and agri-food sector. This includes \$2 billion in cost-shared programs delivered by provinces and territories and \$1 billion in federal activities and programs. The Partnership aims to continue to help the sector grow trade, advance innovation while maintaining and strengthening public confidence in the food system and increase its diversity. Under the Partnership, business risk management (BRM) programs will continue to help producers manage significant risks that threaten the viability of their farm and are beyond their capacity to manage.

Approval by Senior Officials

Approved by:

Original signed by \_\_\_\_\_

Chris Forbes, Deputy Head

Ottawa, Canada

Original signed by \_\_\_\_\_

Christine Walker, Chief Financial Officer

Ottawa, Canada

**AGRICULTURE AND AGRI-FOOD CANADA**  
**Statement of Authorities (*unaudited*)**  
**For the quarter ended December 31, 2018**

	Fiscal year 2018-2019 (1)			Fiscal year 2017-2018 (1)		
	Total available for use for the year ending March 31, 2019 (2)	Used during the quarter ended December 31, 2018	Year to date used at quarter-end	Total available for use for the year ending March 31, 2018 (2)	Used during the quarter ended December 31, 2017	Year to date used at quarter-end
Vote 1 - Net Operating expenditures	\$ 622,433	\$ 128,127	\$ 385,994	\$ 606,655	\$ 135,424	\$ 400,418
Vote 5 - Capital expenditures	68,942	13,222	22,856	77,817	9,444	22,716
Vote 10 - Grants and contributions	426,625	56,930	98,501	394,758	64,549	126,633
Budgetary statutory authorities <sup>(3)</sup>	1,479,857	310,966	493,809	1,317,462	312,180	512,035
<b>Total Budgetary authorities</b>	<b>2,597,857</b>	<b>509,245</b>	<b>1,001,160</b>	<b>2,396,692</b>	<b>521,598</b>	<b>1,061,802</b>
<b>Total authorities</b>	<b>\$ 2,597,857</b>	<b>\$ 509,245</b>	<b>\$ 1,001,160</b>	<b>\$ 2,396,692</b>	<b>\$ 521,598</b>	<b>\$ 1,061,802</b>
<b>Notes:</b>						
(1) Totals may not add due to rounding.						
(2) Includes only Authorities available for use and granted by Parliament at quarter-end.						
(3) Details on Budgetary statutory authorities are included the table below.						

## AGRICULTURE AND AGRI-FOOD CANADA

### Departmental Budgetary Expenditures by Standard Object *(unaudited)*

For the quarter ended December 31, 2018

*(In thousands of dollars)*

	Fiscal year 2018-2019 (1)			Fiscal year 2017-2018 (1)		
	Planned expenditures for the year ending March 31, 2019	Expended during the quarter ended December 31, 2018	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2018	Expended during the quarter ended December 31, 2017	Year to date used at quarter-end
<b>Expenditures:</b>						
Personnel	\$ 507,134	\$ 119,423	\$ 364,693	\$ 504,831	\$ 118,594	\$ 377,548
Transportation and communications	12,520	3,942	9,725	14,128	4,014	9,965
Information	6,615	1,778	3,888	7,498	1,557	3,315
Professional and special services	112,307	22,784	54,906	128,165	26,291	59,333
Rentals	6,267	942	4,624	3,223	1,314	5,265
Repair and maintenance	14,581	3,826	9,143	21,501	4,374	8,618
Utilities, materials and supplies	44,526	6,194	18,368	56,018	8,063	20,216
Acquisition of land, buildings and works	51,820	6,411	9,945	31,928	2,744	11,579
Acquisition of machinery and equipment	31,053	7,138	13,788	47,851	6,459	12,982
Transfer payments	1,828,149	349,675	539,334	1,637,182	359,692	589,037
Other subsidies and payments	39,953	3,215	13,001	10,501	4,290	10,221
<b>Total gross budgetary expenditures</b>	<b>2,654,926</b>	<b>525,328</b>	<b>1,041,415</b>	<b>2,462,825</b>	<b>537,392</b>	<b>1,108,079</b>
<b>Less Revenues netted against expenditures:</b>						
Vote-netted revenues	57,069	16,083	40,255	66,133	15,793	46,277
<b>Total Revenues netted against expenditures</b>	<b>57,069</b>	<b>16,083</b>	<b>40,255</b>	<b>66,133</b>	<b>15,793</b>	<b>46,277</b>
<b>Total net budgetary expenditures</b>	<b>\$ 2,597,857</b>	<b>\$ 509,245</b>	<b>\$ 1,001,160</b>	<b>\$ 2,396,692</b>	<b>\$ 521,599</b>	<b>\$ 1,061,802</b>
<b>Note:</b>						
(1) Totals may not add due to rounding.						

**AGRICULTURE AND AGRI-FOOD CANADA**  
**Budgetary Statutory Authorities Breakdown (*unaudited*)**  
**For the quarter ended December 31, 2018**  
*(In thousands of dollars)*

APPENDIX A

	Fiscal year 2018-2019 (1)			Fiscal year 2017-2018 (1)		
	Planned expenditures for the year ending March 31, 2019	Expended during the quarter ended December 31, 2018	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2018	Expended during the quarter ended December 31, 2017	Year to date used at quarter-end
Contributions to employee benefit plans	\$ 66,321	\$ 16,381	\$ 49,144	\$ 63,449	\$ 15,695	\$ 47,084
Minister of Agriculture and Agri-Food - Salary and motor car allowance	86	22	65	84	21	63
Contribution payments for the AgriStability program	384,830	(7,393)	(18,351)	219,300	1,135	(15,033)
Contribution payments for the AgriInsurance program	623,000	246,068	325,991	640,800	241,062	344,406
Grant payments for the AgrilInvest program	138,148	43,206	132,196	126,200	42,748	124,239
Payments in connection with the Agricultural Marketing Programs Act	65,900	4,750	15,899	65,900	5,237	13,390
Grant payments for the AgriStability program	39,320	(139)	(242)	41,000	(1,500)	(3,046)
Contribution payments for the AgrilInvest program	18,602	6,117	10,854	17,500	7,261	16,127
Loan guarantees under the Canadian Agricultural Loans Act	13,111	(3)	(2)	13,111	260	386
Contributions in support of the Assistance to the Pork Industry Initiative	-	-	(25,289)	-	(978)	(17,722)
Grants to agencies established under the <i>Farm Products Agencies Act</i>	100	-	-	100	-	-
Contribution payments for the Agricultural Disaster Relief Program (ADRP)/AgriRecovery	118,513	-	-	118,513	-	-

**AGRICULTURE AND AGRI-FOOD CANADA**  
**Budgetary Statutory Authorities Breakdown (unaudited)**  
**For the quarter ended December 31, 2018**  
*(In thousands of dollars)*

APPENDIX A

	Fiscal year 2018-2019 (1)			Fiscal year 2017-2018 (1)		
	Planned expenditures for the year ending March 31, 2019	Expended during the quarter ended December 31, 2018	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2018	Expended during the quarter ended December 31, 2017	Year to date used at quarter-end
Canadian Pari-Mutuel Agency Revolving Fund	-	245	(690)	-	38	(841)
Spending of Amounts Equivalent to Proceeds from Disposal of Surplus Moveable Crown Assets	11,926	1,623	4,456	11,505	1,284	3,324
Contributions for agricultural risk management - Enhanced Spring Credit Advance program Business Risk Management	-	121	-	-	(69)	(297)
Class grant payments for the Transitional Industry Support program	-	-	(2)	-	-	-
Class grant payments for the Farm Income program	-	5	7	-	-	3
Grant payments for the Canadian Agricultural Income Stabilization program Inventory Transition Initiative	-	(7)	(22)	-	(10)	(25)
Contribution payments for the Canadian Agricultural Income Stabilization program Inventory Transition Initiative	-	(21)	(200)	-	-	(20)
Grants in support of the Grain and Oilseed Payment program	-	(5)	(6)	-	(5)	(5)
Budgetary statutory authorities	\$ 1,479,857	\$ 310,968	\$ 493,809	\$ 1,317,462	\$ 312,180	\$ 512,035
<b>Note:</b> (1) Totals may not add due to rounding.						