



Agriculture and
Agri-Food Canada

Agriculture et
Agroalimentaire Canada

AGRICULTURE AND AGRI-FOOD CANADA

**Quarterly Financial Report
For the quarter ended June 30, 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.

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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 June 30, 2018, for which full supply of Main Estimates was released on June 22, 2018.

At the end of the first quarter of 2018-2019, Agriculture and Agri-Food Canada had total funding available for use of \$2,525.3 million as detailed in Table 1. This amount includes the 2018-2019 Main Estimates of \$2,516.0 million and \$9.3 million related to proceeds collected from the sale of Crown assets. The net increase of \$218.9 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 June 30, 2018 totalled \$568.5 million, an increase of \$26.7 million from the June 30, 2017 amount of \$541.8 million. This increase is mainly due to funding of \$26.8 million related to new collective bargaining agreements.

Vote 5 Capital authorities at the end of the first quarter of 2018-2019 totalled \$54.9 million, a decrease of \$20.1 million from the June 30, 2017 amount of \$75.0 million. This decrease is primarily due to a reduction of \$19.1 million with the winding down of the Budget 2016 Federal Infrastructure Initiatives.

Vote 10 Grants and Contributions authority of \$425.5 million as of June 30, 2018 reflects an increase of \$49.6 million from \$375.9 million at the same time in 2017-2018. This is primarily attributed to significant increases related to implementation of the Dairy Farm Investment Program and the Dairy Processing Investment Fund, and minor increases in Agricultural Clean Technology programs and support for the Canadian Agricultural Adaptation Program.

Budgetary Statutory authorities available as of June 30, 2018 were \$1,476.4 million, an increase of \$162.7 million from the June 30, 2017 amount of \$1,313.7 million. This is mainly due to a \$163.9 million forecast increase in AgriStability spending based on market conditions.

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Graph 1: Comparison of Authorities Available for Use

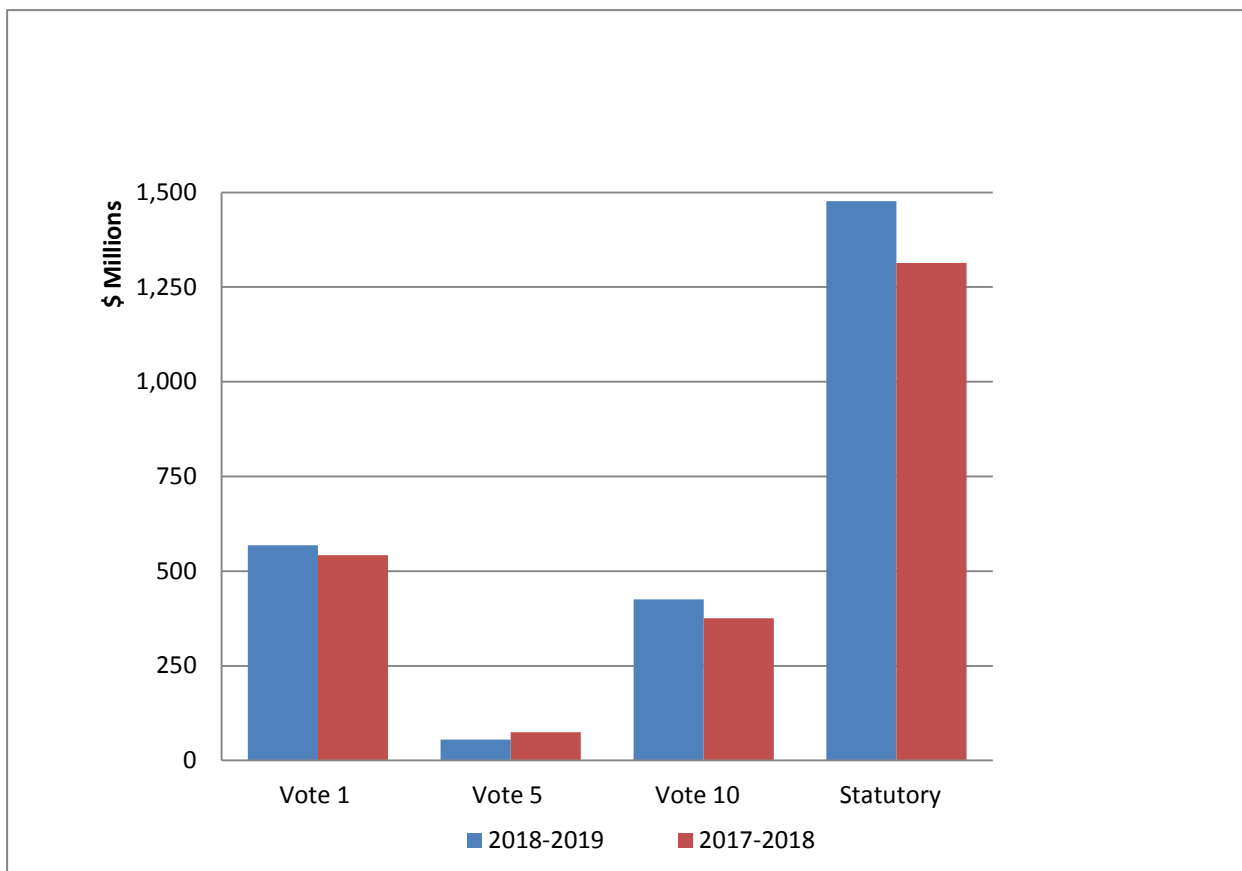


Table 1: Authorities Available for Use (In thousands of dollars) ⁽¹⁾

Authorities	2018-2019	2017-2018	Variiances	Percent
Vote 1 - Net Operating expenditures	568,454	541,800	26,654	5%
Vote 5 - Capital expenditures	54,888	74,990	(20,102)	(27%)
Vote 10 - Grants and Contributions	425,525	375,882	49,643	13%
Budgetary statutory authorities	1,476,391	1,313,690	162,701	12%
Total Authorities	2,525,258	2,306,362	218,896	9%

Note:

(1) Totals may not add due to rounding.

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Expenditures

As detailed in Table 2, at the end of the first quarter of 2018-2019, the Department had spent \$179.0 million, compared to \$191.5 million in the same period in fiscal year 2017-2018, a decrease of \$12.5 million.

Vote 1 Net Operating expenditures at the end of the first quarter were \$123.0 million, 22% of the total available for use of \$568.5 million, which is slightly less than expenditures of \$124.1 million or 23% of the total available for the same period last fiscal year. The overall decrease of \$1.1 million is due to higher salary expenditures of \$3.5 million, partially offset by a \$2.7 million increase in revenues and a \$2.6 million decrease of non-pay operating expenditures for the Canadian Agricultural Partnership.

Vote 5 Capital expenditures at the end of the first quarter were \$1.9 million or 3% of the total available for use of \$54.9 million. For the same period in 2017-2018, expenditures were \$5.2 million or 7% of the budget of \$75.0 million. The decrease of \$3.3 million in capital expenditures is mainly due to the timing of spending related to various projects.

Vote 10 Grants and Contributions expenditures at the end of the first quarter of 2018-2019 were \$8.2 million or 2% of the total available for use of \$425.5 million, compared to \$14.7 million, or 4% of the total available for use for the same period last fiscal year. The decrease of \$6.5 million is mainly attributed to a \$12.6 million decrease in program spending due to it being the first year of Canadian Agricultural Partnership implementation. This decrease is partially offset by \$6.5 million 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 first quarter of 2018-2019 were \$46.0 million compared to \$47.5 million for the same period of the previous year. The \$1.5 million decrease is attributed to several offsetting factors: \$14.7 million increase in the AgriInsurance Program due to timing of claims received, \$8.1 million increased spending in connection with the Agricultural Marketing Programs Act, \$3.0 million increase in the AgriInvest program; these increases are partially offset by an increase in recoveries of \$22.7 million under the Assistance to the Pork Industry Initiative and \$6.4 million decrease in the AgriStability program due to timing of expenditures.

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Graph 2: Comparison of Expenditures

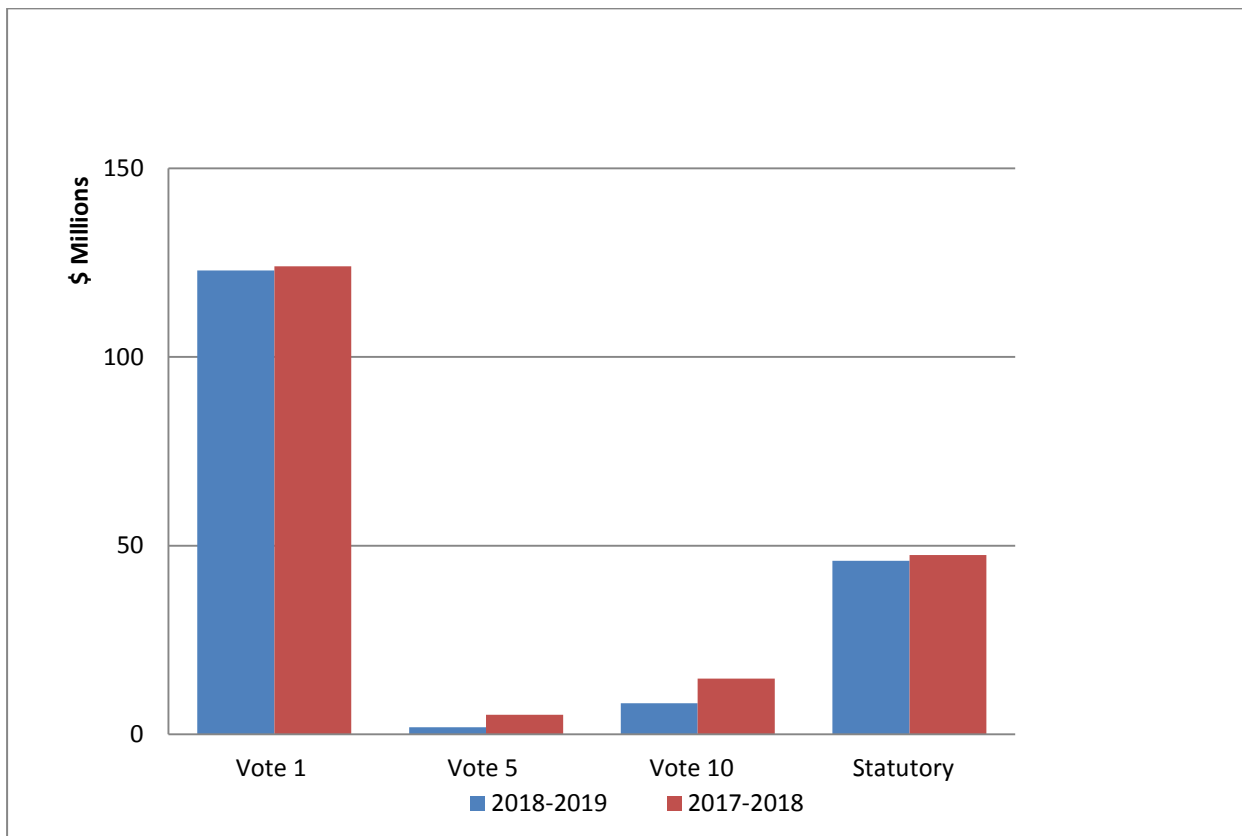


Table 2: Expenditures (In thousands of dollars) ⁽¹⁾

Expenditures	2018-2019	2017-2018	Variance	Percent
Vote 1 - Net Operating expenditures	122,958	124,066	(1,108)	(1%)
Vote 5 - Capital expenditures	1,874	5,175	(3,301)	(64%)
Vote 10 - Grants and Contributions expenditures	8,191	14,728	(6,537)	(44%)
Budgetary statutory expenditures	46,006	47,533	(1,527)	(3%)
Total Net Budgetary Expenditures	179,029	191,503	(12,474)	(7%)

Note:

(1) Totals may not add due to rounding.

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Expenditures in Comparison to Authorities

At the end of the first quarter of 2018-2019, the Department had spent \$179.0 million (7% of the total funding available for use), compared to \$191.5 million for the same period in fiscal year 2017-2018 (8% of the total funding available for use).

Graph 3: Comparison of Total Authorities and Total Net Budgetary Expenditures as of June 30, for fiscal years 2018-2019 and 2017-2018

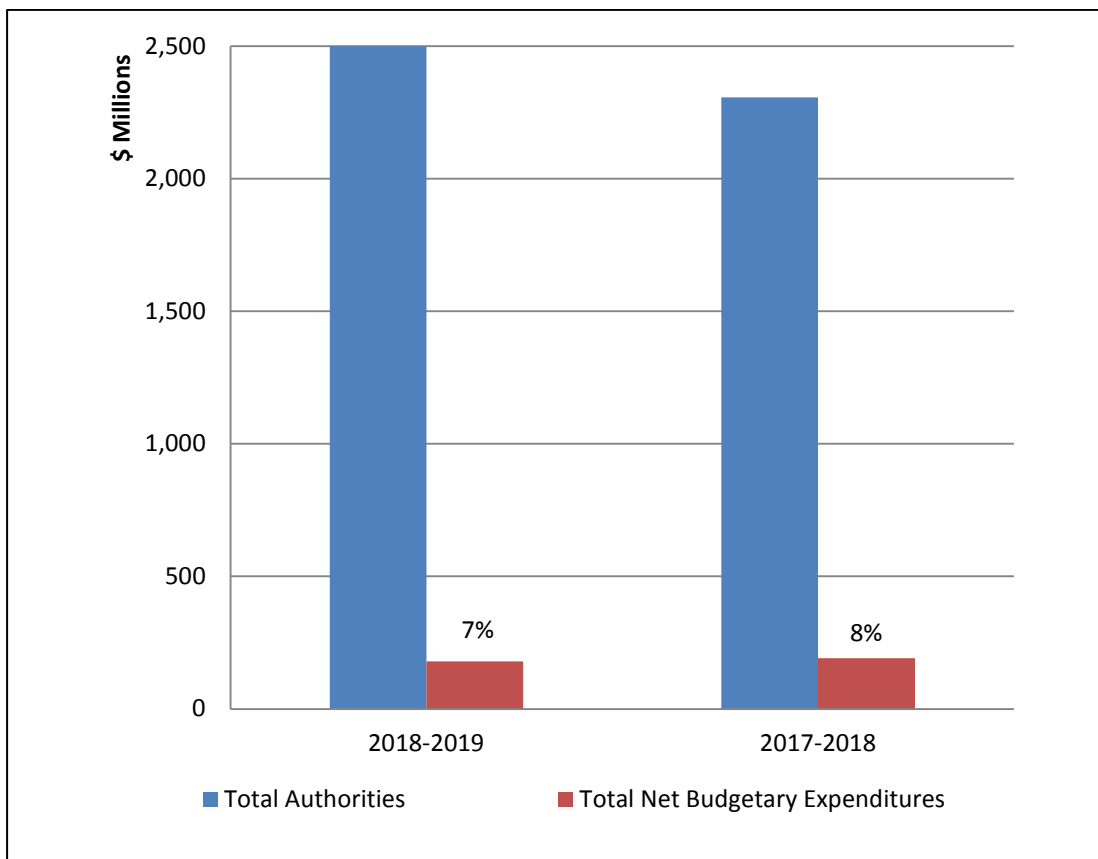


Table 3 presents budgetary expenditures by standard object. Total net budgetary expenditures by standard object have decreased by \$12.5 million in the first quarter of 2018-2019 compared to the same period last year. The decrease of \$10 million or 21% in Transfer payments is mainly caused by a \$12.6 million decrease in program spending due to the first year of Canadian Agricultural Partnership implementation, an increase in recoveries of \$22.7 million under the Assistance to the Pork Industry Initiative and a \$6.4 million decrease in the AgriStability program. These decreases are offset by a \$14.7 million increase in the AgriInsurance Program due to timing of claims received and higher administrative costs, \$8.1 million higher spending in connection with the Agricultural Marketing Programs Act, \$6.5 million increase in spending in support of the implementation of the Dairy Farm Investment Program and the Dairy Processing

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Investment fund and a \$3.0 million increase in the AgriInvest Program. The decrease of \$3.4 million or 89% in Acquisition of land, buildings and works is mainly due to the timing of spending related to various projects as well as a decrease in spending for Federal Infrastructure Initiatives . The increase of \$2.7 million or 2% in Personnel is primarily attributed to higher severance payments, full time equivalent (FTE) increases and higher salary rates as a result of the collective bargaining agreements .

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, the administration of the AgriStability Program, as well as recoveries for costs related to Internal Support Services provided to other departments. The Department has generated \$13.4 million in revenues in the first quarter of 2018-2019 compared to \$11.0 million for the same period last year. The \$2.4 million revenue increase is primarily attributed to a \$3.8 million increase due to timing of collections from other government departments for Information Technology services, and a \$2.0 million increase in revenues associated with Collaborative Research and Development Agreements (CRADAs). These increases are offset by a \$2.0 million decrease in revenue for the Community Pastures Program which is being wound down and a \$1.3 million decrease associated with Industry led projects due to timing differences associated with signing new collaborative research agreements for the new Canadian Agricultural Partnership.

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Table 3: Budgetary Expenditures by Standard Object (In thousands of dollars) ⁽¹⁾

Expenditures	2018-2019	2017-2018	Variances	Percent
Personnel	122,404	119,751	2,653	2%
Transportation and communications	2,567	2,508	59	2%
Information	1,442	1,232	210	17%
Professional and special services	12,321	13,249	(928)	(7%)
Rentals	2,802	2,715	87	3%
Repairs and maintenance	1,509	1,658	(149)	(9%)
Utilities, materials and supplies	5,296	5,461	(165)	(3%)
Acquisition of land, buildings and works	431	3,790	(3,359)	(89%)
Acquisition of machinery and equipment	2,190	2,309	(119)	(5%)
Transfer payments	37,283	47,277	(9,994)	(21%)
Other subsidies and payments	4,208	2,556	1,652	65%
Total Gross Budgetary Expenditures	192,453	202,506	(10,053)	(5%)
Less: Revenues netted against expenditures	13,424	11,003	2,421	22%
Total Net Budgetary Expenditures	179,029	191,503	(12,474)	(7%)

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 Core Responsibilities, develops response strategies and monitors the effectiveness in managing those risks. These risk activities promote value for money, lead to more effective service delivery and efficient use of resources as well as better project management.

In the current environment, supporting employees dealing with pay issues is a top priority for the Department, with emphasis on proactively mitigating risk by ensuring mandatory training and roles and responsibilities are well understood, and by actively supporting departmental employees with escalation and pay advisory services. Agriculture and Agri-Food Canada implemented a Pay Liaison Team to help resolve pay issues and stabilize the pay system. The Department has also provided emergency salary advances and priority payments to employees experiencing hardship due to pay issues. Agriculture and Agri-Food Canada will continue to

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mitigate the issues arising with the implementation of the Phoenix pay system and to monitor any salary payments adjustments that may be required.

Significant changes in relation to operations, personnel and programs

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 _____

Pierre Corriveau, Chief Financial Officer

Ottawa, Canada

AGRICULTURE AND AGRI-FOOD CANADA

Statement of Authorities (*unaudited*)

For the quarter ended June 30, 2018

(In thousands of dollars)

	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 June 30, 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 June 30, 2017	Year to date used at quarter-end
Vote 1 - Net Operating expenditures	\$ 568,454	\$ 122,958	\$ 122,958	\$ 541,800	\$ 124,066	\$ 124,066
Vote 5 - Capital expenditures	54,888	1,874	1,874	74,990	5,175	5,175
Vote 10 - Grants and contributions	425,525	8,191	8,191	375,882	14,729	14,729
Budgetary statutory authorities ⁽³⁾	1,476,391	46,006	46,006	1,313,690	47,533	47,533
Total Budgetary authorities	2,525,259	179,029	179,029	2,306,362	191,503	191,503
Total authorities	\$ 2,525,259	\$ 179,029	\$ 179,029	\$ 2,306,362	\$ 191,503	\$ 191,503

Notes:

(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.

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Departmental budgetary expenditures by Standard Object *(unaudited)*

For the quarter ended June 30, 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 June 30, 2018	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2018	Expended during the quarter ended June 30, 2017	Year to date used at quarter-end
Expenditures:						
Personnel	\$ 500,315	\$ 122,404	\$ 122,404	\$ 470,488	\$ 119,751	\$ 119,751
Transportation and communications	11,304	2,567	2,567	11,649	2,508	2,508
Information	5,956	1,442	1,442	6,156	1,232	1,232
Professional and special services	90,784	12,321	12,321	104,330	13,249	13,249
Rentals	5,664	2,802	2,802	2,685	2,715	2,715
Repair and maintenance	11,369	1,509	1,509	17,193	1,658	1,658
Utilities, materials and supplies	38,616	5,296	5,296	44,288	5,461	5,461
Acquisition of land, buildings and works	51,820	431	431	31,928	3,790	3,790
Acquisition of machinery and equipment	31,053	2,190	2,190	47,851	2,309	2,309
Transfer payments	1,827,049	37,283	37,283	1,618,306	47,277	47,277
Other subsidies and payments	8,399	4,208	4,208	8,621	2,556	2,556
Total gross budgetary expenditures	2,582,328	192,453	192,453	2,363,495	202,506	202,506
Less Revenues netted against expenditures:						
Vote-netted revenues	57,069	13,424	13,424	57,133	11,003	11,003
Total Revenues netted against expenditures	57,069	13,424	13,424	57,133	11,003	11,003
Total net budgetary expenditures	\$ 2,525,259	\$ 179,029	\$ 179,029	\$ 2,306,362	\$ 191,503	\$ 191,503
Note: (1) Totals may not add due to rounding.						

AGRICULTURE AND AGRI-FOOD CANADA
Budgetary Statutory Authorities Breakdown (*unaudited*)
For the quarter ended June 30, 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 June 30, 2018	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2018	Expended during the quarter ended June 30, 2017	Year to date used at quarter-end
Contributions to employee benefit plans	\$ 65,526	\$ 16,381	\$ 16,381	\$ 63,449	\$ 15,695	\$ 15,695
Minister of Agriculture and Agri-Food - Salary and motor car allowance	86	22	22	84	21	21
Contribution payments for the AgriStability program	384,830	(5,857)	(5,857)	219,300	1,068	1,068
Contribution payments for the AgriInsurance program	623,000	20,658	20,658	640,800	6,005	6,005
Grant payments for the AgriInvest program	138,148	34,461	34,461	126,200	31,017	31,017
Payments in connection with the Agricultural Marketing Programs Act	65,900	5,389	5,389	65,900	(2,677)	(2,677)
Grant payments for the AgriStability program	39,320	(97)	(97)	41,000	(597)	(597)
Contribution payments for the AgriInvest program	18,602	-	-	17,500	402	402
Loan guarantees under the Canadian Agricultural Loans Act	13,111	9	9	13,111	(3)	(3)
Contributions in support of the Assistance to the Pork Industry Initiative	-	(25,210)	(25,210)	-	(2,502)	(2,502)
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	-	-

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Budgetary Statutory Authorities Breakdown (unaudited)
For the quarter ended June 30, 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 June 30, 2018	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2018	Expended during the quarter ended June 30, 2017	Year to date used at quarter-end
Canadian Pari-Mutuel Agency Revolving Fund	-	(781)	(781)	-	(1,147)	(1,147)
Spending of Amounts Equivalent to Proceeds from Disposal of Surplus Moveable Crown Assets	9,255	1,291	1,291	7,732	416	416
Contributions for agricultural risk management - Enhanced Spring Credit Advance program Business Risk Management	-	(89)	(89)	-	(145)	(145)
Class grant payments for the Transitional Industry Support program	-	(2)	(2)	-	-	-
Class grant payments for the Farm Income program	-	2	2	-	-	-
Grant payments for the Canadian Agricultural Income Stabilization program Inventory Transition Initiative	-	(9)	(9)	-	(6)	(6)
Contribution payments for the Canadian Agricultural Income Stabilization program Inventory Transition Initiative	-	(163)	(163)	-	(13)	(13)
Grants in support of the Grain and Oilseed Payment program	-	-	-	-	(1)	(1)
Budgetary statutory authorities	\$ 1,476,391	\$ 46,006	\$ 46,006	\$ 1,313,690	\$ 47,533	\$ 47,533
Note: (1) Totals may not add due to rounding.						