



Agriculture and
Agri-Food Canada

Agriculture et
Agroalimentaire Canada

AGRICULTURE AND AGRI-FOOD CANADA

**Quarterly Financial Report
For the quarter ended September 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 September 30, 2018, for which full supply of Main Estimates was released on June 22, 2018.

At the end of the second quarter of 2018-2019, Agriculture and Agri-Food Canada had total funding available for use of \$2,564.2 million as detailed in Table 1. This amount includes the 2018-2019 Main Estimates of \$2,516.0 million, \$28.1 million of Operating Budget Carry Forward from 2017-2018, \$10.6 million related to proceeds collected from the sale of Crown assets, and \$9.6 million of Capital Budget Carry Forward from 2017-2018. The net increase of \$226.5 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 September 30, 2018 totalled \$596.5 million, an increase of \$25.5 million from the September 30, 2017 amount of \$571.0 million. This increase is mainly due to a \$26.8 million increase in funding for retroactive collective bargaining obligations and other compensation adjustments, partially offset by a decrease in the Operating Budget Carry Forward of \$1.2 million.

Vote 5 Capital authorities at the end of the second quarter of 2018-2019 totalled \$64.4 million, a decrease of \$10.5 million from the September 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 and partially offset by an increase of \$9.6 million of the Capital Budget Carry Forward from 2017-2018.

Vote 10 Grants and Contributions authority of \$425.5 million as of September 30, 2018 reflects an increase of \$49.6 million from \$375.9 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, and minor increases in Agricultural Clean Technology Program and the Canadian Agricultural Adaptation Program.

Budgetary Statutory authorities available as of September 30, 2018 were \$1,477.7 million, an increase of \$162.0 million from the September 30, 2017 amount of \$1,315.7 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

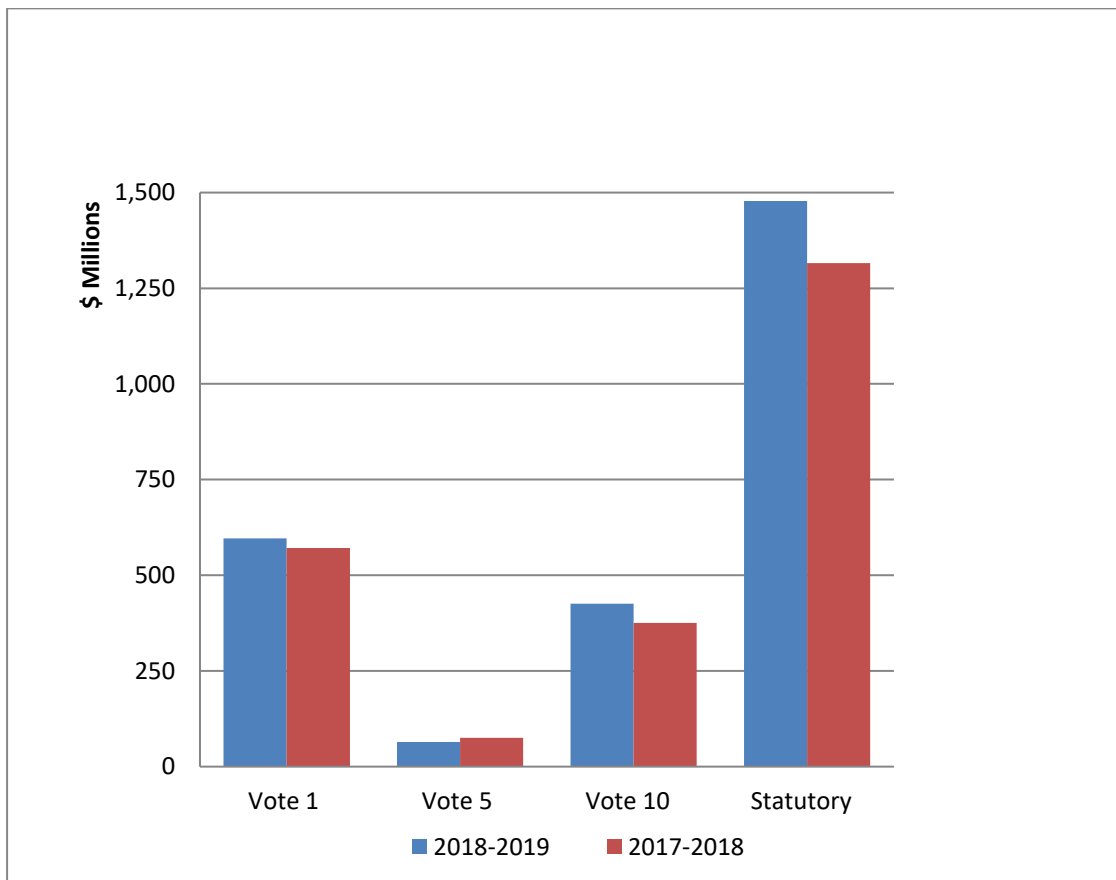


Table 1: Authorities Available for Use (In thousands of dollars) ⁽¹⁾

Authorities	2018-2019	2017-2018	Variances	Percent
Vote 1 - Net Operating expenditures	596,523	571,041	25,482	4%
Vote 5 - Capital expenditures	64,447	74,990	(10,543)	(14%)
Vote 10 - Grants and Contributions	425,525	375,882	49,643	13%
Budgetary statutory authorities	1,477,694	1,315,742	161,952	12%
Total Authorities	2,564,189	2,337,655	226,534	10%

Note:

(1) Totals may not add due to rounding.

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Expenditures

As detailed in Table 2, at the end of the second quarter of 2018-2019, the Department had spent \$491.9 million, compared to \$540.2 million in the same period in fiscal year 2017-2018, a decrease of \$48.3 million.

Vote 1 Net Operating expenditures at the end of the second quarter were \$257.9 million, 43% of the total available for use of \$596.5 million, which is less than expenditures of \$265.0 million or 46% of the total available for the same period last fiscal year. The overall decrease of \$7.1 million is due to decreased retroactive salary payments of \$19.1 million, partially offset by a \$7.0 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, and a \$6.3 million decrease in revenues primarily attributed to the winding down of the Community Pastures Program.

Vote 5 Capital expenditures at the end of the second quarter were \$9.6 million or 15% of the total available for use of \$64.4 million. For the same period in 2017-2018, expenditures were \$13.2 million or 18% of the budget of \$75.0 million. The decrease of \$3.6 million in capital expenditures is mainly due to decreased spending associated with the ending of the Budget 2016 Federal Infrastructure Initiatives in 2017-2018.

Vote 10 Grants and Contributions expenditures at the end of the second quarter of 2018-2019 were \$41.6 million or 10% of the total available for use of \$425.5 million, compared to \$62.1 million, or 17% of the total available for use for the same period last fiscal year. The decrease of \$20.5 million is mainly attributed to a \$42.7 million decrease in program spending due to the first year implementation of the Canadian Agricultural Partnership. This decrease is partially offset by a \$22.0 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 second quarter of 2018-2019 were \$182.8 million compared to \$199.9 million for the same period of the previous year. The \$17.0 million decrease is attributed to several offsetting factors: \$23.4 million decrease in the AgriInsurance Program due to timing of claims received, \$8.5 million increase in recoveries under the Assistance to the Pork Industry Initiative, offset by a \$6.7 million increase in the AgriStability program due to timing of expenditures, \$3.4 million increase in spending of the AgriInvest program, \$3.0 million increase in spending in connection with the Agricultural Marketing Programs Act, and \$1.4 million increase in contributions to Employee Benefit Plans.

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Graph 2: Comparison of Expenditures

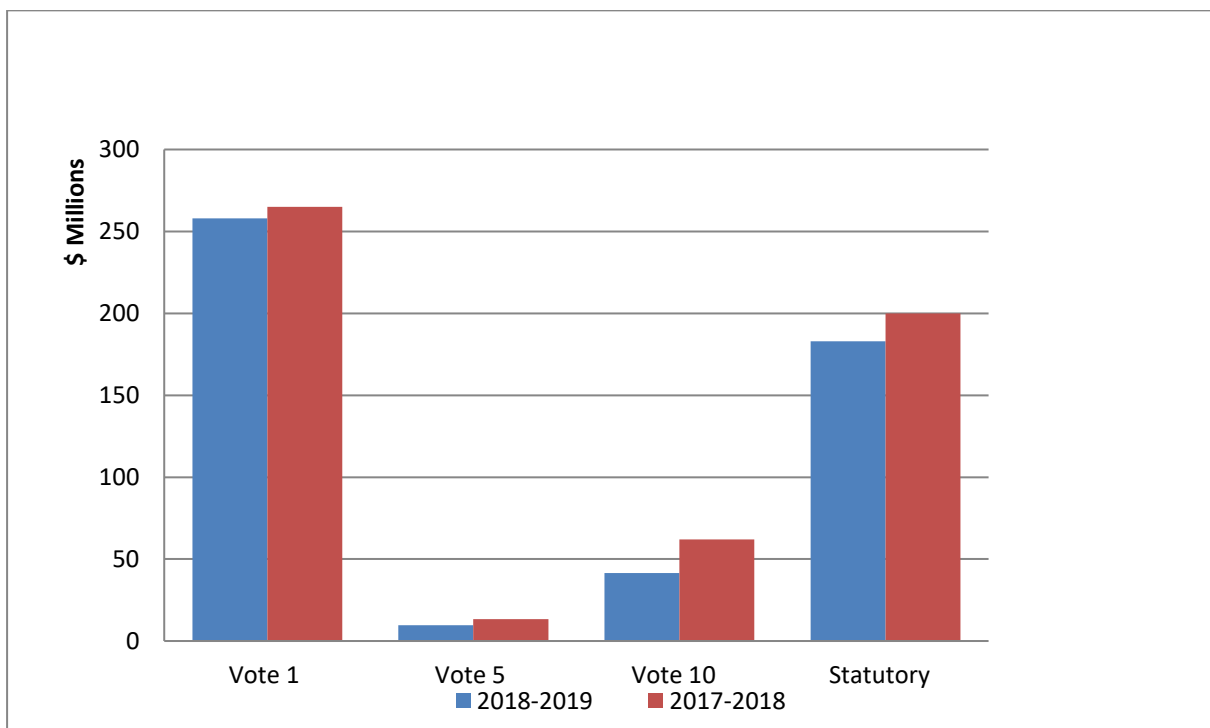


Table 2: Expenditures (In thousands of dollars) ⁽¹⁾

Expenditures	2018-2019	2017-2018	Variance	Percent
Vote 1 - Net Operating expenditures	257,867	264,993	(7,126)	(3%)
Vote 5 - Capital expenditures	9,635	13,271	(3,636)	(27%)
Vote 10 - Grants and Contributions expenditures	41,571	62,084	(20,513)	(33%)
Budgetary statutory expenditures	182,843	199,855	(17,012)	(9%)
Total Net Budgetary Expenditures	491,916	540,203	(48,287)	(9%)

Note:

(1) Totals may not add due to rounding.

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Expenditures in Comparison to Authorities

At the end of the second quarter of 2018-2019, the Department had spent \$491.9 million (19% of the total funding available for use), compared to \$540.2 million for the same period in fiscal year 2017-2018 (23% of the total funding available for use).

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

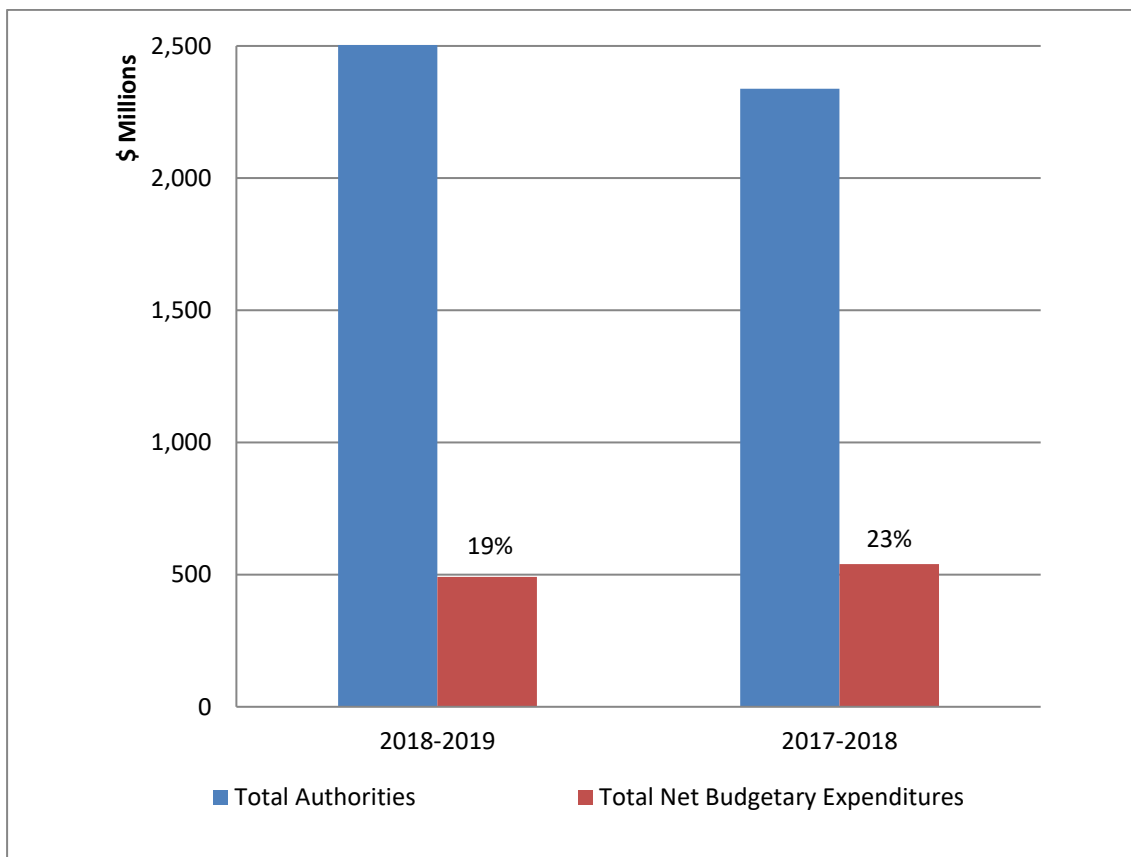


Table 3 presents budgetary expenditures by standard object. Total net budgetary expenditures by standard object have decreased by \$48.3 million in the first two quarters of 2018-2019 compared to the same period last year. The decrease of \$39.7 million or 17% in Transfer payments is mainly caused by a \$42.7 million decrease in program spending due to the first year of Canadian Agricultural Partnership implementation, a decrease of \$23.4 million in the Agrilnsurance Program due to timing of claims received, and an increase in recoveries of \$8.5 million under the Assistance to the Pork Industry Initiative. These decreases are partially offset by a \$22.0 million increase in spending in support of the implementation of the Dairy Farm Investment Program and the Dairy Processing Investment Fund. The decrease of \$13.7 million or 5% in Personnel is primarily attributed to the \$19.1 million decrease in salary retroactive

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payments and partially offset by \$7.0 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 \$5.3 million or 60% in Acquisition of land, buildings and works is mainly due to the timing of spending related to various projects.

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 \$24.2 million in revenues up to the second quarter of 2018-2019 compared to \$30.5 million for the same period last year. The \$6.3 million revenue decrease is primarily attributed to a \$7.3 million decrease in revenue for the Community Pastures Program which is being wound down and a \$1.5 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 \$1.9 million increase due to timing differences of collections from other government department for Information Technology services provided.

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

Expenditures	2018-2019	2017-2018	Variiances	Percent
Personnel	245,270	258,954	(13,684)	(5%)
Transportation and communications	5,783	5,951	(168)	(3%)
Information	2,110	1,758	352	20%
Professional and special services	32,122	33,042	(920)	(3%)
Rentals	3,682	3,951	(269)	(7%)
Repairs and maintenance	5,317	4,244	1,073	25%
Utilities, materials and supplies	12,174	12,153	21	0%
Acquisition of land, buildings and works	3,534	8,835	(5,301)	(60%)
Acquisition of machinery and equipment	6,650	6,523	127	2%
Transfer payments	189,659	229,345	(39,686)	(17%)
Other subsidies and payments	9,786	5,931	3,855	65%
Total Gross Budgetary Expenditures	516,087	570,687	(54,600)	(10%)
Less: Revenues netted against expenditures	24,172	30,484	(6,312)	(21%)
Total Net Budgetary Expenditures	491,915	540,203	(48,288)	(9%)

Note:

(1) Totals may not add due to rounding.

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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. Emergency salary advances and priority payments have been provided to employees experiencing hardship due to pay issues. Agriculture and Agri-Food Canada will continue to mitigate the issues arising with the implementation of the Phoenix pay system and to monitor any salary payments adjustments that may be required. Emphasis is being placed on proactively mitigating risk 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, and ensured mandatory training and roles and responsibilities are well understood.

Significant changes in relation to operations, personnel and programs

Personnel

On September 14, 2018, Christine Walker was appointed to the position of Assistant Deputy Minister, Corporate Management Branch.

On September 20, 2018, Jane Taylor was appointed to the position of Assistant Deputy Minister, Programs Branch.

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.

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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 September 30, 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 September 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 September 30, 2017	Year to date used at quarter-end
Vote 1 - Net Operating expenditures	\$ 596,523	\$ 134,909	\$ 257,867	\$ 571,041	\$ 140,927	\$ 264,993
Vote 5 - Capital expenditures	64,447	7,760	9,635	74,990	8,096	13,271
Vote 10 - Grants and contributions	425,525	33,380	41,571	375,882	47,355	62,084
Budgetary statutory authorities ⁽³⁾	1,477,694	136,837	182,843	1,315,742	152,322	199,855
Total Budgetary authorities	2,564,189	312,886	491,915	2,337,655	348,700	540,203
Total authorities	\$ 2,564,189	\$ 312,886	\$ 491,915	\$ 2,337,655	\$ 348,700	\$ 540,203

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 September 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 September 30, 2018	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2018	Expended during the quarter ended September 30, 2017	Year to date used at quarter-end
Expenditures:						
Personnel	\$ 500,315	\$ 122,866	\$ 245,270	\$ 470,488	\$ 139,203	\$ 258,954
Transportation and communications	12,016	3,216	5,783	13,484	3,443	5,951
Information	6,342	668	2,110	7,149	526	1,758
Professional and special services	103,956	19,801	32,122	120,295	19,793	33,042
Rentals	6,017	880	3,682	3,083	1,236	3,951
Repair and maintenance	14,007	3,808	5,317	19,963	2,586	4,244
Utilities, materials and supplies	41,814	6,878	12,174	52,229	6,692	12,153
Acquisition of land, buildings and works	51,820	3,103	3,534	31,928	5,045	8,835
Acquisition of machinery and equipment	31,053	4,460	6,650	47,851	4,214	6,523
Transfer payments	1,827,049	152,376	189,659	1,618,306	182,068	229,345
Other subsidies and payments	26,868	5,578	9,786	10,012	3,375	5,931
Total gross budgetary expenditures	2,621,257	323,634	516,087	2,394,788	368,181	570,687
Less Revenues netted against expenditures:						
Vote-netted revenues	57,069	10,748	24,172	57,133	19,481	30,484
Total Revenues netted against expenditures	57,069	10,748	24,172	57,133	19,481	30,484
Total net budgetary expenditures	\$ 2,564,189	\$ 312,886	\$ 491,915	\$ 2,337,655	\$ 348,700	\$ 540,203
Note:						
(1) Totals may not add due to rounding.						

AGRICULTURE AND AGRI-FOOD CANADA
Budgetary Statutory Authorities Breakdown (unaudited)
For the quarter ended September 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 September 30, 2018	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2018	Expended during the quarter ended September 30, 2017	Year to date used at quarter-end
Contributions to employee benefit plans	\$ 65,526	\$ 16,381	\$ 32,763	\$ 63,449	\$ 15,695	\$ 31,390
Minister of Agriculture and Agri-Food - Salary and motor car allowance	86	22	43	84	21	42
Contribution payments for the AgriStability program	384,830	(5,101)	(10,958)	219,300	(17,236)	(16,168)
Contribution payments for the AgriInsurance program	623,000	59,267	79,925	640,800	97,339	103,344
Grant payments for the AgriInvest program	138,148	54,530	88,990	126,200	50,474	81,491
Payments in connection with the Agricultural Marketing Programs Act	65,900	5,760	11,150	65,900	10,830	8,153
Grant payments for the AgriStability program	39,320	(6)	(103)	41,000	(949)	(1,546)
Contribution payments for the AgriInvest program	18,602	4,737	4,737	17,500	8,464	8,866
Loan guarantees under the Canadian Agricultural Loans Act	13,111	(9)	-	13,111	129	126
Contributions in support of the Assistance to the Pork Industry Initiative	-	(79)	(25,289)	-	(14,242)	(16,744)
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 September 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 September 30, 2018	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2018	Expended during the quarter ended September 30, 2017	Year to date used at quarter-end
Canadian Pari-Mutuel Agency Revolving Fund	-	(154)	(935)	-	268	(879)
Spending of Amounts Equivalent to Proceeds from Disposal of Surplus Moveable Crown Assets	10,558	1,542	2,833	9,784	1,625	2,040
Contributions for agricultural risk management - Enhanced Spring Credit Advance program Business Risk Management	-	(32)	(121)	-	(83)	(228)
Class grant payments for the Transitional Industry Support program	-	-	(2)	-	-	-
Class grant payments for the Farm Income program	-	-	2	-	3	3
Grant payments for the Canadian Agricultural Income Stabilization program Inventory Transition Initiative	-	(6)	(15)	-	(9)	(15)
Contribution payments for the Canadian Agricultural Income Stabilization program Inventory Transition Initiative	-	(15)	(179)	-	(7)	(20)
Grants in support of the Grain and Oilseed Payment program	-	-	-	-	-	(1)
Budgetary statutory authorities	\$ 1,477,694	\$ 136,837	\$ 182,843	\$ 1,315,742	\$ 152,321	\$ 199,855
Note: (1) Totals may not add due to rounding.						