

# **Agriculture and Agri-Food Canada**

## **Quarterly Financial Report For the Quarter Ended June 30, 2023**

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## **Introduction**

Agriculture and Agri-Food Canada (AAFC) is the federal department responsible for the Canadian agriculture and agri-food sector. Agriculture is a shared jurisdiction in Canada, and our department works closely with provincial and territorial governments on the development and delivery of policies and programs. Along with these policies and programs, our research and technology helps farmers, food producers, and processors grow and develop the sector in order to succeed in Canadian and global markets.

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

This quarterly financial report has been prepared as required by section 65.1 of the *Financial Administration Act* in the form and manner prescribed by the Treasury Board, and should be read in conjunction with AAFC's 2023-24 Main Estimates and Supplementary Estimates (A).

This report has not been subject to an external audit or review.

## **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 2023-24 Main Estimates, as well as the Supplementary Estimates (A) available for use during the 2023-24 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 money can be spent by the Government of Canada. 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 results

This quarterly financial report reflects the results of the current fiscal period in comparison to the authorities approved by Parliament, as well as budget adjustments approved by Treasury Board up to June 30, 2023.

The following table provides a comparison of total authorities available for use and year-to-date expenditures for the first quarter of the current and previous fiscal year.

#### Comparison of total authorities available for use and total year-to-date expenditures for the quarter ended June 30 of fiscal years 2023-24 and 2022-23

All votes and statutory authorities (in millions of dollars)	2023-24	2022-23
Total authorities available for use	3,442	3,419
Total year-to-date expenditures	225	226
Utilization	7%	7%

#### A. Significant changes to authorities

The following table provides a comparison of authorities by Vote for the first quarter of the current and previous fiscal year.

#### Comparison of total authorities as of June 30 of fiscal years 2023-24 and 2022-23

Authorities (in millions of dollars)	2023-24	2022-23	Variances
Vote 1 - Net Operating Authorities	641	611	30
Vote 5 - Capital Authorities	40	39	1
Vote 10 - Grants and Contributions	855	629	226
Budgetary statutory authorities	1,906	2,140	(234)
<b>Total Authorities</b>	<b>3,442</b>	<b>3,419</b>	<b>23</b>

Note: Totals may not add up due to rounding.

During the first quarter of fiscal year 2023-24, authorities rose to \$3,442 million, a 1% or \$23-million increase from the same quarter last year due to the following changes:

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- Statutory funding decreased \$234 million due to reductions of \$468 million in the Dairy Direct Payment Program (to be renewed in the second quarter), \$108 million in the Agricultural Disaster Relief Program and \$89 million in the AgriStability Program. These decreases were partially offset by an increase of \$411 million in the AgriInsurance Program as a result of higher market prices caused by inflation.
- Vote 10 – Grants and Contributions funding increased \$226 million for various initiatives. Funding for environment and climate initiatives rose by \$108 million, the Supply Management Processing Investment Fund saw an increase of \$39 million, and funding to support the Canadian wine industry increased by \$32 million.
- Vote 1 – Operating funding rose by \$30 million due to increases in funding for the Sustainable Canadian Agricultural Partnership and for climate-related programs.

### B. Significant changes in year-to-date expenditures

The following table provides spending comparisons by Vote for the first quarter of the current and previous fiscal year.

#### Comparison of year-to-date expenditures for the quarter ended June 30 of fiscal years 2023-24 and 2022-23

<b>Expenditures (in millions of dollars)</b>	<b>2023-24</b>	<b>2022-23</b>	<b>Variance</b>
Vote 1 - Net Operating expenditures	150	143	7
Vote 5 - Capital expenditures	4	5	(1)
Vote 10 - Grants and Contributions expenditures	32	22	10
Budgetary statutory expenditures	39	56	(17)
<b>Total Net Budgetary Expenditures</b>	<b>225</b>	<b>226</b>	<b>(1)</b>

Note: Totals may not add up due to rounding.

2023-24 Q1 saw total expenditures reach \$225 million, down \$1 million from the same period in 2022-23 due to the following changes in spending:

- Statutory expenditures dropped by \$17 million mainly because of a \$19-million reduction in AgriInsurance payments due to lower claims from British Columbia and Ontario.

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- Vote 10 – Grants and Contributions spending rose \$10 million mainly due to increased speed in processing claims for the Poultry and Egg-On Farm Investment Program.
- Vote 1 – Net Operating expenditures increased \$7 million, primarily due to a \$5 million decrease in revenue collections caused by delays in signing agreements under the new Sustainable Canadian Agricultural Partnership framework.

### **Risks and uncertainties**

Agriculture and Agri-Food Canada continues to exercise prudent management and oversight in implementing its policies and delivering its programs. The Department has established and integrated processes to identify, assess, monitor, and respond to a variety of strategic and operational risks to facilitate decision making and priority setting, and to contribute to more effective delivery and efficient use of resources.

The department continues to remain vigilant and prepare for risks, situations and events impacting its operating environment. Departmental mitigations are in place to manage the risks facing AAFC's people and processes to ensure we can attract, develop and retain a diverse, high performing, qualified workforce (Our People); adapt our processes and workplace in a way that maximizes the benefits of a hybrid workforce and seize opportunities learned from the pandemic (Our Workplace); as well as effectively navigate financial pressures and ensure scarce resources are allocated to areas of greatest importance (Prioritization and Oversight).

Departmental mitigations are also in place to manage longer-term impacts, including those related to technology and infrastructure and external events. These include the ability to effectively prevent, detect, contain or respond to cyber security threats (Cyber Security); ensuring that laboratories and other critical infrastructure can be maintained or recapitalized (Critical Infrastructure); and, ensuring the department can modernize its digital infrastructure in an appropriate or timely enough fashion (Digital Modernization for Data-enabled Services and Decisions). They also include the ability to adequately respond to the climate and environmental threats facing the agricultural sector (Climate and Sustainability); and managing disruptive industry and market crises (Economic and Market Disruption).

AAFC will continue to closely monitor its environment and operations in order to ensure that resources are being managed effectively to deliver expected results and/or to reallocate resources to key priorities, as necessary.

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### Significant changes in relation to programs

The following are announcements of new programs or changes to existing programs that occurred during the first quarter of this fiscal year:

**Sustainable Canadian Agricultural Partnership:** The Sustainable Canadian Agricultural Partnership (SCAP) policy framework was renewed and went into effect on April 1, 2023 to ensure that there is no gap between the end of the former agreement entitled Canadian Agricultural Partnership (CAP). Funding of \$11.5 billion is being invested by Agriculture and Agri-Foods Canada for the following activities:

- **Non-Business Risk Management:** Funding of \$2.5 billion is being allocated over 5 years (2023-24 to 2027-28) to renew:
  - \$1 billion in federal programs and activities, and;
  - \$1.5 billion (\$2.5 billion including Provincial and Territorial government funding) in cost shared programs which includes a new Resilient Agricultural Landscape Program to support ecological goods and services offered by the agricultural sector.
- **Business Risk Management:** Funding of \$9.0 billion is being invested over 6 years (2023-24 to 2028-29) to renew the Business Risk Management programs which includes AgriStability, AgriInvest, AgriInsurance, AgriRecovery and Livestock Price Insurance.

**Indo-Pacific Strategy:** The Indo-Pacific Agriculture and Agri-Food Office (IPAAO) is being established with funding of \$14.9 million over the next 5 years (2023-24 to 2027-28) and \$3.4 million annually thereafter. The IPAAO will strengthen Canada's economic partnerships in the Indo-Pacific region by expanding market access, diversifying supply chains, attracting investment, promoting competitive business opportunities and fostering more open, predictable and sustainable regional economic opportunities.

**Laboratory Asset Renewal Initiative:** \$115.2 million is being allocated over the next six years (2023-24 to 2028-29) to modernize AAFC's science-based real property infrastructure to enable AAFC's ongoing research and development activities.

**Funding to increase investments in Food Policy Initiatives:** \$10 million is being allocated to the Local Food Infrastructure Fund this year (2023-24). The funding will be given out as grants to help rural and Indigenous communities to access healthy, safe food.

**Funding in support of dairy, poultry and egg supply-managed producers and the processors of supply-managed commodities:** Over the next 10 years (2023-24 to 2032-33), \$1,773 million is being invested to assist the dairy, poultry and egg supply-managed producers adapt to market

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changes brought on by the Canada-United States-Mexico Agreement (CUSMA). The funds will be distributed through four programs:

- **Dairy Direct Payment Program:** The program will be extended 6 more years (2023-24 to 2028-29) with \$1,217.7 million to compensate and aid dairy producers adapt to market changes
- **Poultry and Egg On-Farm Investment Program:** An additional \$131.8 million is being allocated over 8 years (2023-24 to 2030-31) to help poultry and egg producers improve on-farm food safety and biosecurity, increase efficiency or productivity, improve environmental sustainability and assist producers in adapting to market changes in response to consumer preferences.
- **Supply Management Processing Investment Fund:** An extra \$123.5 million is being allocated over 5 years (2023-24 to 2027-28) to assist Canadian dairy, egg and poultry processors in remaining competitive by investing in new equipment and technology. This investment will improve the efficiency and productivity of processing facilities.
- **Dairy Innovation and Investment Fund (New program):** New funding of \$300 million is being allocated over 10 years (2023-24 to 2032-33) in response to the implementation of the CUSMA trade agreement to provide investment support to Canadian dairy processors in the management of their surplus of solid non-fat.

**Emissions Reduction through the Agricultural Climate Solutions: On-Farm Climate Action Fund (OFCAF):** New funding of \$452.8 million over 5 years (2023-24 to 2027-28) will be distributed through:

- **On-Farm Climate Action Fund – Extension:** An extra \$418.7 million over 4 years (2024-25 to 2027-28) will extend the program which focuses on supporting farmers in adopting best practices for reducing greenhouse gas emissions and storing carbon.
- **Fertilizer Top-up:** \$34.1 million is being allocated over 3 years (2023-24 to 2025-26) to help producers in Eastern Canada optimize their use of fertilizer and reduce their need for fertilizers due to rising prices for nitrogen fertilizers.

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**Approval by senior officials**

Approved by:

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**Original signed by**

Stefanie Beck, Deputy  
Minister Ottawa, Canada

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**Original signed by**

Marie-Claude Guérard, Chief Financial  
Officer Ottawa, Canada



**Agriculture and Agri-Food Canada**  
**Budgetary Statutory Authorities Breakdown (*unaudited*)**  
**For the quarter ended June 30, 2023**  
*(in thousands of dollars)*

	Fiscal year 2023-24			Fiscal year 2022-23		
	Total available for use for the year ending March 31, 2024 <sup>(1)</sup>	Used during the quarter ended June 30, 2023	Year to date used at quarter-end	Total available for use for the year ending March 31, 2023 <sup>(1)</sup>	Used during the quarter ended June 30, 2022	Year to date used at quarter-end
Vote 1 - Net Operating expenditures	640,879	150,432	150,432	610,755	147,268	143,268
Vote 5 - Capital expenditures	39,896	3,693	3,693	38,560	5,058	5,058
Vote 10 - Grants and contributions	855,473	32,118	32,118	629,059	21,599	21,599
Budgetary statutory authorities <sup>(2)</sup>	1,905,872	38,676	38,676	2,140,283	56,100	56,100
<b>Total Budgetary authorities</b>	<b>3,442,120</b>	<b>224,920</b>	<b>224,920</b>	<b>3,418,656</b>	<b>226,025</b>	<b>226,025</b>
<b>Total authorities</b>	<b>3,442,120</b>	<b>224,920</b>	<b>224,920</b>	<b>3,418,656</b>	<b>226,025</b>	<b>226,025</b>

Notes:

Totals may not add due to rounding.

(1) Includes only authorities available for use and granted by Parliament at quarter-end.

(2) Details on budgetary statutory authorities are included the table below.

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**Budgetary Statutory Authorities Breakdown (unaudited)**  
**For the quarter ended June 30, 2023**  
*(in thousands of dollars)*

	Fiscal year 2023-24			Fiscal year 2022-23		
	Planned expenditures for the year ending March 31, 2024	Expended during the quarter ended June 30, 2023	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2023	Expended during the quarter ended June 30, 2022	Year to date used at quarter-end
<b>Expenditures:</b>						
Personnel	560,778	133,231	133,231	533,516	137,259	137,259
Transportation and communications	3,928	1,645	1,645	2,739	949	949
Information	12,506	1,349	1,349	8,861	898	898
Professional and special services	131,202	18,553	18,553	120,622	17,935	17,935
Rentals	9,743	5,415	5,415	7,907	4,474	4,474
Repair and maintenance	12,487	1,266	1,266	11,524	1,420	1,420
Utilities, materials and supplies	45,322	6,451	6,451	37,504	6,451	6,451
Acquisition of land, buildings and works	13,174	39	39	21,935	1,587	1,587
Acquisition of machinery and equipment	32,511	3,877	3,877	33,972	3,758	3,758
Transfer payments	2,671,177	55,198	55,198	2,691,404	59,350	59,350
Other subsidies and payments	9,210	1,858	1,858	8,763	740	740
<b>Total gross budgetary expenditures</b>	<b>3,502,039</b>	<b>228,882</b>	<b>228,882</b>	<b>3,478,746</b>	<b>234,821</b>	<b>234,821</b>
<b>Less Revenues netted against expenditures:</b>						
Vote-netted revenues	59,918	3,962	3,962	60,900	8,796	8,796
<b>Total net budgetary expenditures</b>	<b>3,442,120</b>	<b>224,920</b>	<b>224,920</b>	<b>3,418,656</b>	<b>226,025</b>	<b>226,025</b>
Note: Totals may not add due to rounding.						

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*(in thousands of dollars)*

## APPENDIX A

	Fiscal year 2023-24			Fiscal year 2022-23		
	Planned expenditures for the year ending March 31, 2024	Expended during the quarter ended June 30, 2023	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2023	Expended during the quarter ended June 30, 2022	Year to date used at quarter-end
Contributions to employee benefit plans	82,485	14,701	14,701	69,319	17,220	17,220
Minister of Agriculture and Agri-Food - Salary and motor car allowance	95	16	16	93	23	23
Contribution payments for the AgriStability program	339,658	(11,016)	(11,016)	434,939	(9,299)	(9,299)
Contribution payments for the AgriInsurance program	1,033,783	4,642	4,642	623,000	23,163	23,163
Grant payments for the AgriInvest program	124,463	30,759	30,759	122,910	32,285	32,285
Payments in connection with the <i>Agricultural Marketing Programs Act</i>	113,300	2,454	2,454	109,000	(1,428)	(1,428)
Grant payments for the AgriStability program	52,063	-	-	48,221	521	521
Contribution payments for the AgriInvest program	16,711	-	-	16,550	-	-
Loan guarantees under the <i>Canadian Agricultural Loans Act</i>	13,111	279	279	13,111	(714)	(714)
Contributions in support of the Assistance to the Pork Industry Initiative	-	(4,034)	(4,034)	-	(6,778)	(6,778)
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	-	-	226,513	2	2
Contribution payments for the Livestock Price Insurance program (Farm Income Protection Act)	4,000	-	-	-	-	-
Canadian Pari-Mutuel Agency Revolving Fund	2,018	(202)	(202)	1,209	(553)	(553)
Spending of Amounts Equivalent to Proceeds from Disposal of Surplus Moveable Crown Assets	5,571	1,081	1,081	7,317	1,659	1,659
Grant payments for the Canadian Agricultural Income Stabilization program Inventory Transition Initiative	-	(3)	(3)	-	(2)	(2)
Contribution payments for the Canadian Agricultural Income Stabilization program Inventory Transition	-	(1)	(1)	-	-	-
Grant Payments Related to the Dairy Direct Payment Program	-	-	-	468,000	-	-
<b>Budgetary statutory authorities</b>	<b>1,905,872</b>	<b>38,676</b>	<b>38,676</b>	<b>2,140,283</b>	<b>56,100</b>	<b>56,100</b>
Note: Totals may not add due to rounding.						