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CANADA

**CHAPTER 8, DISASTER RELIEF FOR
PRODUCERS — AGRICULTURE AND AGRI-FOOD
CANADA, OF THE FALL 2013 REPORT OF THE
AUDITOR GENERAL OF CANADA**

**Report of the Standing Committee on
Public Accounts**

**David Christopherson
Chair**

JUNE 2014

41st PARLIAMENT, SECOND SESSION

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THE STANDING COMMITTEE ON PUBLIC ACCOUNTS

has the honour to present its

EIGHTH REPORT

Pursuant to its mandate under Standing Order 108(3)(g), the Committee has studied Chapter 8, Disaster Relief for Producers — Agriculture and Agri-Food Canada, of the Fall 2013 Report of the Auditor General of Canada and has agreed to report the following:

CHAPTER 8: DISASTER RELIEF FOR PRODUCERS – AGRICULTURE AND AGRI-FOOD CANADA

INTRODUCTION

The agriculture and agri-food industry is an important component of Canada's economy. In 2011, it accounted for 8% of Canada's gross domestic product and one in eight jobs.¹ Agricultural producers face a number of challenges and risks, including weather, disease, insects and market volatility, which can impose significant production and revenue losses on individual farmers and the agricultural industry.

To help agricultural producers manage risk, the federal, provincial and territorial governments developed *Growing Forward: A Federal–Provincial–Territorial Framework Agreement on Agriculture, Agri-Food and Agri-Based Products Policy*. The policy agreement outlines common goals and cooperative programming to support the agriculture and agri-food sector in Canada. The first Growing Forward framework came into effect in 2008 and expired on 31 March 2013. It was subsequently replaced with *Growing Forward 2*, which will expire in 2018.

The Growing Forward framework includes a suite of business risk management programs:

- AgriInsurance assists producers experiencing production loss due to perils, including weather and disease related events;
- AgriStability supports producers suffering severe income losses resulting from risks such as low prices, rising input costs and drops in production; and
- AgriInvest helps producers offset losses, strengthen cash flow or make investments by drawing from a savings account of producer deposits matched by governments.

When extreme natural events occur, producers may need additional support, beyond existing programs, to help them recover. Through the AgriRecovery framework, Agriculture and Agri-Food Canada (AAFC) works with provinces and territories to provide timely and targeted financial assistance to agricultural producers to facilitate their return to business as rapidly as possible after natural disasters. The AgriRecovery framework is composed of a protocol and guidelines for assessing disaster events and for determining the type of costs that would be covered.

1 Agriculture and Agri-Food Canada, [An Overview of the Canadian Agriculture and Agri-Food System](#), Ottawa, March 2013, pp. 48–49.

To begin the AgriRecovery process, the federal government, or a provincial or a territorial government, requests a joint assessment of whether a particular disaster incident is eligible for funding under the AgriRecovery framework. Once an incident is deemed eligible and a specific AgriRecovery initiative is created, producers can apply for assistance. Each initiative is approved by the federal Cabinet and is implemented through a contribution agreement, the terms of which are negotiated between the federal government and the affected province or territory. In most cases, the affected province or territory processes applications, makes payments and conducts post-payment audits of producers. The federal government reimburses provinces and territories for the federal share, which is 60% of AgriRecovery costs. Since 2007, when AgriRecovery was launched, the federal and provincial governments have committed \$1.2 billion to 37 disaster relief initiatives. To date, there have been no initiatives in any of the territories.

In its Fall 2013 Report, the Office of the Auditor General (OAG) released a performance audit that examined AAFC's management of AgriRecovery with respect to timeliness, communications to producers, compliance with AgriRecovery criteria and lessons learned.²

The House of Commons Standing Committee on Public Accounts (the Committee) held a hearing on this audit on 14 May 2014.³ From the OAG, the Committee met with Michael Ferguson, Auditor General of Canada, Dale Shier, Principal, and Dawn Campbell, Director. From Agriculture and Agri-Food Canada, the Committee met with Tina Namiesniowski, Assistant Deputy Minister, Programs Branch, and Rosser Lloyd, Director General, Business Risk Management Program Directorate.

DELIVERY OF SERVICES

A. Roles and Responsibilities

As AgriRecovery is a joint framework between the federal government and provinces and territories, it requires coordination between the partners. Tina Namiesniowski, Assistant Deputy Minister at AAFC, told the Committee that:

[T]he federal government and the province work quite closely in assessing the actual situation and identifying what if anything might need to be done in the context of the AgriRecovery framework. There is a set of principles that are reviewed in the context of that assessment, and both sides come to an agreement as to whether the situation is such that it warrants some level of initiative under the framework.⁴

2 Auditor General of Canada, Chapter 8, "Disaster Relief for Producers – Agriculture and Agri-Food Canada," *Report of the Auditor General of Canada – Fall 2013*, Ottawa, 2013, para. 8.2.

3 House of Commons Standing Committee on Public Accounts, *Evidence*, 2nd Session, 41st Parliament, 14 May 2014, Meeting 27.

4 Meeting 27, 1610.

For most initiatives, the AgriRecovery process begins with a request for an assessment by a province or a territory. AAFC officials did not have precise information available about the number of times the federal government initiated the AgriRecovery assessment process, but they suggested that it was either very few or zero.⁵

Ms. Namiesniowski described the assessment process, noting that it is a two-stage process. Preliminary assessments look at whether an incident is a recurring event, is abnormal and couldn't be foreseen, and results in extraordinary costs to producers. If these criteria are met, governments move to the formal assessment phase, which examines whether the disaster affects a large number of producers in a region, results in significant negative impacts, results in significant extraordinary costs, and is beyond the capacity of producers to manage.⁶ Rosser Lloyd, Director General at AAFC, described AgriRecovery as the "last line of defence," as the other business risk management programs may also provide assistance to producers.⁷

Mr. Lloyd described two AgriRecovery "success stories" to help producers deal with floods in western Canada in 2010 and 2011. He said, "[AAFC] quickly went in and delivered assistance to help the producers in preparing the land for the next round, making sure that action was taken such that they were ready to plant a crop in the next crop year."⁸ Another example he provided was AgriRecovery helped producers recover from a tornado in Ontario that ripped out fruit trees.

B. Meeting Timeliness Targets

As AgriRecovery was established to offer timely, targeted assistance to agricultural producers, AAFC developed a performance measurement framework for AgriRecovery that includes two targets related to timeliness. Under AgriRecovery, AAFC and provinces and territories should:

- complete assessments of disaster incidents within 45 days of a request for an assessment, 90% of the time; and
- process 75% of payments within nine months of an approved assessment.

The OAG found that AAFC and provinces had completed assessments within the 45-day timeline only 16% of the time, and that the assessment processing times exceeded

5 Ibid., 1625 and 1630.

6 Ibid., 1700.

7 Ibid., 1615.

8 Ibid., 1610.

the 45-day target by an average of 81 days. AAFC and provinces met the nine-month target for processing payments for 84% of initiatives.⁹

The OAG believes that the two targets should be combined for a cumulative 10.5-month timeline because it encompasses the duration from the request for a disaster assessment until the issuance of payments to producers. Michael Ferguson, Auditor General of Canada, told the Committee that “67% of initiatives met this combined timeline, while the remaining third exceeded it by 5 months on average.”¹⁰ AAFC’s opening statement indicated that approximately 90% of the total amount of funding provided to producers under the AgriRecovey framework was delivered within the 10.5-month timeline.¹¹

The delays mostly occurred during the assessment phase for smaller initiatives in terms of the value of assistance payment amounts, which tended to be disease and drought initiatives. On the difference between smaller and larger initiatives, Mr. Ferguson observed, “we found that a small initiative of \$44,000 took 228 days, while a large initiative of \$150 million was delivered in less than half that time. Both initiatives were responses to excess moisture events for which assessment information is usually promptly available.”¹² The average federal share of payments and processing times, by type of disaster, is shown in Table 1.

Table 1: Average Federal Share of Payments and Processing Time

Type of Disaster	Number of Events	Federal Share of Payments, Average	Processing Time, Average (Days)
Disease	10	\$637,000	348
Drought	4	\$16,000,000	433
Excess moisture	14	\$31,000,000	227

Source: Auditor General of Canada, Chapter 8, “Disaster Relief for Producers – Agriculture and Agri-Food Canada,” *Report of the Auditor General of Canada – Fall 2013*, Ottawa, 2013, Exhibit 8.3.

9 Auditor General of Canada (2013), paras. 8.15-8.16.

10 Meeting 27, 1535.

11 Speech for K. J. Namiesniowski Assistant Deputy Minister, Programs Branch, Agriculture and Agri-Food Canada, Appearance before the Standing Committee on Public Accounts, Chapter 8—Disaster Relief for Producers, *Fall 2013 Report of the Auditor General of Canada*, 14 May 2014.

12 Meeting 27, 1535.

Mr. Lloyd explained the differences in assessing the different types of disaster:

There are different challenges in assessing a flood situation, where it's clear that the producer is not going to be able to get on that land for the year and is not going to get a crop out of that land, as opposed to a drought situation, where as you go through the year, the situation changes. The crop got in the ground, it hasn't rained for a little while, but then it starts raining and the prospects start to improve. Those drought situations change through the cycle, which makes them very difficult to assess, to know exactly what that producer needs to recover from the situation, because we haven't nailed down what the end of the situation is.¹³

Ms. Namiesniowski added that AAFC is having discussions with its provincial and territorial colleagues on whether to have different timelines for different types of events.¹⁴ The 45-day assessment timeline may also need to be re-examined. Mr. Lloyd commented, "The [45-day target] was set very early on when we were looking at the framework with the provinces. It was naive. ... There wasn't a full understanding of how the thing worked at that point in time, because it was a new framework. We are learning lessons as we go along."¹⁵

Mr. Ferguson reminded the Committee that timeliness targets should be based on the needs of producers. He said:

[T]he program is there to provide quick, targeted assistance to producers to facilitate their return to work. It needs to be taking into account not only how long it takes to process something, but also it needs to very much be based on when the producers need to receive the payment.¹⁶

He also pointed out possible consequences of delays for producers, indicating that "some producers had to sell livestock, and some were unable to purchase feed when they needed to."¹⁷ Mr. Lloyd said that AAFC had no indication that any producer went out of business due to a payment that did not meet the targeted payment deadline under AgriRecovery.¹⁸

As AAFC had not done an analysis to identify reasons for delays, the OAG recommended that AAFC analyze its processes, quantify and document impediments to timeliness, and take corrective action to meet the overall 10.5-month timeline for AgriRecovery.¹⁹ In response, Ms. Namiesniowski informed the Committee that:

13 Ibid., 1600.

14 Ibid., 1605.

15 Ibid., 1640.

16 Ibid., 1655.

17 Ibid., 1535.

18 Ibid., 1700.

19 Auditor General of Canada (2013), para. 8.23.

[AAFC is] committed to analyze [its] recovery processes and the timeliness targets with provinces. [AAFC is] also committed to identify impediments to timeliness and to take corrective action to meet these timelines, including process improvements on impediments identified with the provinces, strengthening assessments and agreements, and better tracking to flag problem assessments.²⁰

AAFC undertook to complete these actions by March 2018.

As the Committee would like to monitor AAFC's progress in making improvements to AgriRecovery, it recommends:

RECOMMENDATION 1

That, by 31 May 2015, Agriculture and Agri-Food Canada report to the Standing Committee on Public Accounts on its progress in working with provinces and territories with respect to AgriRecovery to review timeliness targets, to identify impediments to timeliness and to take corrective action to improve timeliness.

C. Tracking Timeliness

In order to assess whether AgriRecovery is meeting its timeliness targets, AAFC needs to record and to monitor timeliness. The OAG found that AAFC did not have an adequate process to measure timeliness, especially during the assessment phase, and that many early contribution agreements did not include adequate requirements to support timeliness monitoring.²¹ The OAG recommended that AAFC track and report on timeliness in real time and address initiatives that require corrective action.²²

In its response, AAFC indicated it would track and report on AgriRecovery on a real-time basis by March 2014. Ms. Namiesniowski told the Committee that AAFC had addressed this recommendation, stating, "[AAFC has] already taken steps to address the second recommendation by enhancing [its] electronic financial and reporting system so [AAFC] can better track and report on AgriRecovery timelines on a real-time basis."²³

D. Surveys

AAFC's performance measurement framework for AgriRecovery indicates that surveys should be undertaken to assess how well AgriRecovery assists producers. The OAG observed that AAFC had not ensured that surveys were conducted for many

20 Meeting 27, 1540.

21 Auditor General of Canada (2013), para. 8.25.

22 Ibid., para. 8.29.

23 Meeting 27, 1540.

initiatives, but AAFC reported in its departmental performance reports that it had met its targets for assisting producers.²⁴

The OAG conducted a survey of agricultural producer organizations—it did not survey producers that had received federal assistance under AgriRecovery. The responses from agricultural producer organizations indicated a general satisfaction with the amount of federal assistance, but less satisfaction with timeliness. Some organizations commented that a lack of timely payments reduced producers' ability to recover from disasters. More specifically, two of 29 respondents rated the payments as very timely and 17 respondents described the payments as somewhat timely. The remaining 10 respondents described the payments as not at all timely.²⁵ In other words, approximately two-thirds of the producer organizations rated the payments as very timely or somewhat timely, and one-third of the organizations rated the payments as not at all timely.

Mr. Ferguson described the importance of surveys when he said, "I think it's very much important for the department to understand the position of the producers on having a timely payment and what helps them recover from these types of events."²⁶ The Committee agrees that surveys are an important tool to help AAFC understand how well AgriRecovery is assisting agricultural producers recover from disasters and recommends:

RECOMMENDATION 2

That Agriculture and Agri-Food Canada engage with provinces and territories and report on progress on ensuring producer views are collected around future AgriRecovery initiatives.

E. Streamlining Administration

The OAG observed that AAFC's processing times were timelier for the largest initiatives, but the processing of smaller initiatives tended to take longer. The OAG found that AAFC did not streamline processing for smaller, lower-risk initiatives, nor had it developed procedures that differentiate between smaller and larger initiatives. Thus, in the OAG's opinion, there is a risk that the cost of administration for small initiatives is disproportionate to their size.²⁷ The OAG recommended that AAFC assess risk for each initiative and streamline its effort for smaller, lower-value initiatives.²⁸

24 Auditor General of Canada (2013), para. 8.31.

25 Ibid., para. 8.34.

26 Ibid., 1600.

27 Auditor General of Canada (2013), para. 8.43.

28 Ibid., para. 8.44.

In its response, AAFC indicated that, by March 2018, it would consult with provinces and central agencies with a view to streamlining administrative processes based on risk. In her opening remarks, Ms. Namiesniowski stated, “We will assess risk for each AgriRecovery initiative and streamline administrative efforts based on the level of risk.”²⁹

As all agricultural producers have an interest in receiving timely processing of their applications for disaster relief assistance, the Committee recommends:

RECOMMENDATION 3

That, by 31 May 2015, Agriculture and Agri-Food Canada report to the Standing Committee on Public Accounts on discussions with provinces and territories to identify measures to streamline its administrative processes for AgriRecovery.

F. Performance Measures

In addition to the timeliness targets mentioned earlier, AAFC has several performance measures and targets to help it determine whether AgriRecovery is meeting its objectives. The targets are:

- 80% of expected producers affected apply for assistance;
- 70% of producers surveyed are still farming one year after the disaster repayment; and
- 75% of producers surveyed believe that the financial assistance provided played a role in their recovery.³⁰

The OAG concluded that these targets do not capture the effectiveness of AgriRecovery at minimizing or containing the impacts of a disaster. The first measure only addresses participation and the second measure’s time period may be too short to take into account the longer-term effects of disasters. The third measure would be unlikely to reach a negative conclusion because any assistance, no matter how small or untimely, could be considered helpful.³¹

Ms. Namiesniowski told the Committee that AAFC is working with provinces and territories to examine its performance measures to make sure they are relevant for the AgriRecovery framework and performance measures are consistently applied.³²

29 Meeting 27, 1540.

30 Auditor General of Canada (2013), para. 8.36

31 Ibid., para. 8.37.

32 Meeting 27, 1620.

The OAG also found that while AAFC reported in its departmental performance reports against two of the three performance targets noted earlier, it did not report its timeliness service standards or its performance against them.³³ The OAG recommended that AAFC communicate this information publicly. AAFC responded by indicating that it will report against its timeliness targets for AgriRecovery beginning with its 2013–2014 departmental performance report.³⁴

As performance measurement is an important element of accountability in determining whether AgriRecovery is meeting its objectives, the Committee recommends:

RECOMMENDATION 4

That, by 31 May 2015, Agriculture and Agri-Food Canada report to the Standing Committee on Public Accounts on its progress in working with provinces and territories to review AgriRecovery's performance measures and targets.

G. Lessons Learned

In 2011, the OAG audited AAFC's other business risk management programs and identified concerns with respect to communication, timeliness of payments and performance measurement. While the OAG noted improvements in AgriRecovery's communications, timeliness and performance measurement, problems persisted. The OAG concluded that AAFC demonstrated only limited application of lessons learned to improve current programs.³⁵

Ms. Namiesniowski observed that AAFC had made improvements in the timeliness of its other business risk management programs. She said:

[F]or AgriStability, 91% of the files were processed in 75 days or less, and the target that we have set for ourselves in the context of that program is actually 75% in 75 days. And for AgriInvest, 97% of the files were processed in 45 days or less. Our target is actually 80%. So in relation to that last audit, we did take the findings quite seriously and work to try and improve our service standards.³⁶

With respect to AgriRecovery, she added, "I am equally hopeful that in relation to this particular audit that we will make progress in terms of implementing the responses to the recommendations and improving our timeliness."³⁷

33 Auditor General of Canada (2013), para. 8.45

34 Ibid., para. 8.46.

35 Ibid., para. 8.58.

36 Meeting 27, 1630.

37 Ibid., 1650.

The Committee notes the progress that AAFC has made with respect to timeliness for its other business risk management programs and anticipates observing improvements in AgriRecovery's timeliness, as will be reported in AAFC's departmental performance reports.

CONCLUSION

AgriRecovery was established by the federal, provincial and territorial governments to help agricultural producers recover from disasters, such as diseases, droughts and floods. In order to be effective in helping producers, it is vital that its assistance be timely and sufficient. Otherwise, producers may face undue hardship. It should be noted that producers may also access other business risk management programs—AgriInsurance, AgriStability and AgriInvest—to obtain assistance to help manage adverse situations.

The OAG did note good practices with respect to AgriRecovery—AAFC was appropriately assessing disasters against program criteria and communications worked well after an AgriRecovery initiative was approved. However, the OAG concluded that AAFC did not adequately manage the federal role in providing disaster relief to producers because it had not streamlined its processes for smaller, lower-risk initiatives, nor had it delivered timely assistance for many disease- and drought-related disasters.

The Committee notes that two-thirds of AgriRecovery initiatives were delivered within a 10.5-month timeframe, and two-thirds of producer organizations indicated that payments were somewhat or very timely. Nonetheless, improvements should be made to AgriRecovery to ensure that agricultural producers facing disasters receive assistance in a timely manner. The Committee intends to monitor AAFC's progress in identifying impediments to timeliness, taking corrective action to improve timeliness and streamlining its administrative processes.

APPENDIX A LIST OF WITNESSES

Organizations and Individuals	Date	Meeting
Agriculture and Agri-Food Canada Rosser Lloyd, Director General, Business Risk Management Program Directorate Tina Namiesniowski, Assistant Deputy Minister, Programs Branch	2014/05/14	27
Office of the Auditor General of Canada Dawn Campbell, Director Michael Ferguson, Auditor General of Canada Dale Shier, Principal		

REQUEST FOR GOVERNMENT RESPONSE

Pursuant to Standing Order 109, the Committee requests that the government table a comprehensive response to this Report.

A copy of the relevant *Minutes of Proceedings* ([Meetings Nos. 27 and 30](#)) is tabled.

Respectfully submitted,

David Christopherson

Chair

