HOUSE OF COMMONS
CHAMBRE DES COMMUNES
CANADA

Standing Committee on Agriculture and Agri-Food

AGRI • NUMBER 004 • 1st SESSION • 42nd PARLIAMENT

EVIDENCE

Monday, March 7, 2016

Chair

Mr. Pat Finnigan

Standing Committee on Agriculture and Agri-Food

Monday, March 7, 2016

● (1535)

[*English*]

The Chair (Mr. Pat Finnigan (Miramichi—Grand Lake, Lib.)): Welcome, everyone, to our committee meeting today. We will get right to work. We have the assistant deputy minister of the programs branch and the assistant deputy minister of corporate management branch with us, Tina Namiesniowski and Pierre Corriveau.

Welcome to you, and welcome to all the members. We shall begin.

The floor is yours.

[*Translation*]

Mr. Pierre Corriveau (Assistant Deputy Minister, Corporate Management Branch, Department of Agriculture and Agri-Food): Thank you, Mr. Chair.

I appreciate the opportunity to open this discussion around the supplementary estimates (C) for Agriculture and Agri-Food Canada for 2015-2016. This afternoon, I am joined by my colleague Tina Namiesniowski, Assistant Deputy Minister, Programs Branch, for which the funds related to the appropriations under discussion today are mainly intended. We are here to discuss the department's financial picture in relation to supplementary estimates (C).

To provide a bit of background, supplementary estimates are part of the normal parliamentary approval process to ensure that previously planned government initiatives receive the necessary funding to move them forward, to meet the needs of Canadians. The estimates present information to Parliament on the Government of Canada's spending requirements that were not sufficiently developed in time for inclusion in the main estimates. That is what was done last year around the same time. The supplementary estimates may from time to time include funding for urgent but unforseen expenditures.

Supplementary estimates, which directly support an appropriation act, are published throughout the year; each release is identified alphabetically—A, B or C. In a routine year, supplementary estimates (A) are tabled in May. The associated appropriation act is tabled in Parliament and normally granted royal assent and becomes law in late June. These provide federal organizations with the funding they need early in the fiscal year. Supplementary estimates (B) are normally tabled in late October or early November, and the associated appropriation act is granted royal assent in December. Supplementary estimates (C), such as these, we are discussing today, are tabled in February, and the associated appropriation act is granted royal assent in March.

The supplementary estimates (C) you have before you for Agriculture and Agri-Food Canada total $47.8 million. Agriculture and Agri-Food Canada's spending authorities for 2015-2016, up to the end of March 2016, total approximately $2.4 billion. That reflects the total of these supplementary estimates, the main estimates from the start of the fiscal year, supplementary estimates (A) that were approved last June, and the funding carried over from last fiscal year.

Since supplementary estimates (B) are limited to essential authorities for the government's urgent obligations, and due to the election, Agriculture and Agri-Food Canada did not have any items included in that fiscal year.

The majority of the funding in the supplementary estimates (C) is for cost-shared programming with provinces and territories, under Growing Forward 2. The funds target innovation, competitiveness and market development.

Let's briefly put Growing Forward 2 into context. This is the third year of the five-year Growing Forward 2 framework. Federal, provincial and territorial governments are investing $3 billion over five years—or $600 million a year—to support innovation, competitiveness and market development in Canada's agriculture and agri-food sector. Funding of $2 billion is for cost-shared programming with the provinces and territories, and $1 billion is for federal strategic initiatives.

To get back to the 2015-2016 supplementary estimates (C), $35 million is related to cost-shared programming with the provinces and territories under Growing Forward 2.

[*English*]

To break down that $35 million, it is cost-shared with the provinces, and it's divided into three major themes.

The first element is $17.4 million for cost-shared programming in competitiveness and market development.

The second element is $14.8 million for cost-shared programming in innovation.

The third element is $3.3 million for cost-shared programming in adaptability and industry capacity.

As well, the department received revenue royalties for intellectual property. There's an amount of $6.6 million related to licences and royalties from crown-owned intellectual property, which Agriculture and Agri-Food Canada collected and deposited in the CRF in the previous fiscal year 2014-15. This amount is available this year to reinvest in our operation in science and technology.

Royalties are collected for numerous agriculture commodities that have been developed by our scientists. These commodities range from grains and oilseeds to fruits and flowers.

Another element of revenue is from the sale of real property. There is $5.5 million in funding related to revenues from the sale of six real properties in fiscal year 2014-15 and some in 2015-16. These revenues are reinvested into the capital budget of the department.

We also have revenues of $340,000 from sales and services related to research, equipment rental, and facilities rentals, earned in 2014-15 and again deposited in the CRF. The department is now accessing these funds for use in this fiscal year. Again, it's in support of our research function and to maintain our facilities and equipment.

Finally, in the estimates section, you will see that there are transfers between departments. Some of those amounts relate to our activities with other federal departments. We're receiving from Shared Services Canada an amount of $5,000, and we're transferring to the Department of Foreign Affairs, Trade and Development an amount of $81,000, primarily to support our staff located at missions abroad.

You'll also see that I've provided information on the estimates process if you want to go into further details later on. It's a document that has been prepared by Treasury Board, which I personally find very helpful in terms of a picture of where we are. I would refer you to either page 7 or page 9 of this document, as it gives a good picture of the estimates process.

Mr. Chair, thank you very much. My colleague Tina and I would be more than happy to answer any questions you may have.

The Chair: Thank you, Monsieur Corriveau.

We're open for questions.

Mr. Shipley, please.

Mr. Bev Shipley (Lambton—Kent—Middlesex, CPC): I want to thank our witnesses for coming today and helping us walk through the final part of the supplementary estimates (C). It's always an interesting time because it wraps up what we need to spend in terms of our last financial outlook. It's really about showing where we're going to be spending, and maybe in some cases it's about trying to understand where the dollars are used.

For example, under your "Revenue—research sales and services", there's funding from sales and services related to research facilities and equipment, deposited in the consolidated revenue fund. If you would, please explain for everybody a bit about those revenues that come in for research and how those revenues get developed in terms of partnerships.

● (1540)

Mr. Pierre Corriveau: For the vast majority of those revenues, I'll use the example of our research centre in Quebec. It's at Saint-Hyacinthe and it's a food research centre. A lot of private sector industries use our facilities to develop different types of products. They rent our space at market value. They use our equipment or facilities, and sometimes, the time of our scientists.

For some of the revenues that are generated, the department cannot re-spend those revenues if they are generated in the same fiscal year; these are deposited in the CRF. Under an MOU we have with the Treasury Board, we can re-spend those funds earned the previous year in the current year. That, again, is to reinvest in the science that's developed in the department.

Not all revenues are the same, but I would say that this is for our science group; if it's in that branch, it gets cut.... We have other organizations, like that of my colleague here, where the revenues are called "vote-netted revenue" and can be spent in the same fiscal year, but that's not the nature of the revenues that are listed here.

Mr. Bev Shipley: When you get to Growing Forward 2, where we're getting prepared for developing the next program, which is likely Growing Forward 3, I wonder if you could talk to us about the cost-sharing amount of $35 million, as related to the cost-sharing program of provinces and territories in Growing Forward 2.

In terms of those dollars that have been going out, when you look at the markets or the commodities and at the interest in going into these programs, you can see that the uptake dropped, in some cases because of high commodity prices. Those commodity prices now are not as high, so I'm wondering about your thoughts as you go through the analysis of what is affecting that.

On the other side of it, we also have a number of inputs that are obviously dropping. If you're in livestock or in cropping, we see pesticide prices stabilizing, if not dropping. Certainly, the inputs in terms of fertilizer have come down. As for seed prices, well, they don't tend to ever come down, but once in a while they stabilize.

I wonder if you could help understand that transfer of those dollars and how it works in terms of that part of Growing Forward 2.

Mr. Pierre Corriveau: I'll try to explain the difference between the two sets of money, and I'll leave the experts to talk about the sector.

In Growing Forward 2 there are voted programs. We have talked about innovation and competitiveness, and all of that. In that programming, for every dollar that's spent, 60 cents comes from the federal government, and 40 cents comes from the provincial or territorial government.

We have a provision that says when all of the money is not spent in the current fiscal year then up to 25% of that fund can come back in the following year. The $35 million you see in the estimates is lapsed money from last year. Sometimes people say lapsed money is a bad thing. In this case we have a provision to bring it over from the current year so that the money is not lost and we can maximize it. This year it's about 15%. That money is reinvested in innovation and competitiveness programming.

On the issue of price in the market, that would probably affect the business risk management side of the House more. I will let my colleague, Tina, talk about that.

Ms. Tina Namiesniowski (Assistant Deputy Minister, Programs Branch, Department of Agriculture and Agri-Food): Further to Pierre's explanation, under the Growing Forward 2 framework, we have $3 billion that is invested for voted programs. Of that $3 billion, $2 billion is in what we refer to as cost-shared strategic initiatives. It's the carry-forward from last year, the $35 million, that is in relation to the cost-shared strategic initiatives, which are programs designed and developed by provinces and territories under the Growing Forward 2 framework. Those programs are designed and delivered by provinces and territories. As Pierre mentioned, federally we provide 60 cents on every dollar in relation to those programs.

Under the current framework the amount of funding that's been earmarked for those cost-shared strategic initiatives was increased relative to the previous framework. It's up to the provinces and territories to decide how to design and determine the nature of those programs. They have the flexibility to determine the programming that will meet their local and regional needs.

In that context under the framework, together with provinces and territories, we agree there are some specific objectives we're trying to achieve further to that framework. While they can design and deliver to meet local and regional needs, they have to focus on three areas. The first objective is competitiveness and market development in terms of supporting our industry and making it more competitive, and in that context supporting them in terms of maintaining or expanding market share. The second objective relates to innovation and helping our industry to remain innovative. The third objective is programming that links to adaptability and industry capacity.

The cost-shared strategic initiatives are the three broad program areas that are supported by the funding under that set of programs. The provinces and territories have the flexibility to decide exactly what they deliver under those broad objectives.

● (1545)

The Chair: Thank you.

Mr. Longfield.

Mr. Lloyd Longfield (Guelph, Lib.): Thanks, Mr. Chair. Through you to Pierre and Tina, thank you very much for the presentation.

I'm a new member of Parliament, so I'm trying to come up to speed with a program that's already been running. I see the $35 million coming back in. It's helpful to know that it's carried forward from a previous year.

I wonder whether the programs that would be drawing from this money have been identified. Maybe you could describe by region, by province, or by type of program how these funds are being earmarked for some specific things already.

Mr. Pierre Corriveau: This total is a summary of money from every single province and territory. I don't have that breakdown with me, but each province has a maximum of 25%, and we have to make sure that at the end of the five years the money has been spent. It may vary between provinces, but this is the net representing all of the provinces and territories. That amount is divided by strategic outcome. For adaptability and industry there's $3.2 million, for competitiveness it's $17.4 million, and for innovation it's $14.8 million.

This is a planned expenditure. The provinces, as my colleague can explain, have the flexibility to move money between the various buckets, but in general this is the planned expectation. Maybe Tina can talk about how we manage this with the provincial governments.

Ms. Tina Namiesniowski: Pierre's right. There is flexibility under those broad headings for provinces and territories to decide where they're going to put their emphasis, except in the context of the Growing Forward agreement. There is a stipulation that provinces and territories, in relation to the money that is provided for those cost-shared strategic initiatives, at a minimum have to spend 25% of the money for competitiveness and market development, and 25% of the money for innovation. The reality is they spend more than that, but there is a stipulation that they must, at a minimum, spend 25% of the funding that we provide to them in those two broad areas.

In relation to examples, each province and territory has the flexibility to determine the nature and the types of programs they're going to deliver, and the eligible activities associated with those programs. For example, we know that under the market development and competitiveness pillar of programming, the type of support provinces and territories would provide would focus on helping our industry differentiate Canadian products both at home and abroad from those of competitors. Again at the provincial and territorial level, we would provide funding through that programming that would help in the development of market information, and help exporters get ready, building their capacity to export to specific markets. We would help support firms in identifying and capturing new market activities.

There would also be support for implementation and adoption of food safety, biosecurity, and traceability systems, which is very much part of Canada's brand internationally. We very much help underscore the importance to Canada of making sure that we produce safe food, and that we're able to trace that food from the farm to the plate.

For example, I can tell you that in Ontario they've set up a market development program that supports industry's efforts to access new and emerging markets and expand existing markets. They also support projects related to market assessments or audits: planning, training, skills development, meeting industry standards or practices, and implementation of marketing plans. That's an example, and every province, again, has a slightly different type of program, but they all have to have programming in those three areas. They structure those programs to meet their local and regional needs.

● (1550)

Mr. Lloyd Longfield: Have these funds been applied for, or do we now go to market to say you have 90 days to apply for funds? Is that what you're doing at this point?

Ms. Tina Namiesniowski: Under the Growing Forward framework, every year an amount of money is earmarked for the strategic initiatives programming. For us federally, it's roughly in the order of $240 million, which is the amount of money that's provided to the provinces and territories on an annual basis to support the programming they deliver. Like us federally, when we have programs, an interested party will apply to a program and put in a program proposal seeking funding to support their project. Provinces and territories accept those applications in relation to their own programs. We don't see them federally.

There's one exception whereby if costs are associated with capital expenditures, then those costs have to be approved by us. Otherwise they have the flexibility to spend that money, so long as it's in those three broad areas.

The Chair: You have time for a short question.

Mr. Lloyd Longfield: AAFC and OMAFRA are in Guelph. We quite often have joint meetings.

We have a farmer who will be presenting on *The Agenda* tonight, on Steve Paikin's show. He has corn-fed beef. He has a case for differentiating corn-fed beef from western beef that's not corn-fed. If he wanted to run that program, try to differentiate, and export corn-fed beef, then he would approach OMAFRA, and then OMAFRA would work with AAFC?

Ms. Tina Namiesniowski: In relation to something that would be so local and specific, typically you would have those kinds of applications going to a provincial or territorial program. We also support market development activities federally, on a national scale.

In relation to that particular example, it would be up to OMAFRA to decide whether or not that farmer is eligible for their program, whether they have the right kind of proposal that they would be prepared to support, if its meets the terms and conditions of their programs. Typically, we work with the provinces to make sure that as Canada's exporting internationally, we work really hard not to undercut one province relative to another. We're really out there trying to sell the Canada brand and the Canada product. As part of that approach, it would be a message around supporting the Canadian beef industry, and that in Canada there's the diversity of product.

Those are some of the considerations that I'm sure the Ontario government would take into account in considering that type of proposal.

The Chair: Thank you.

Madame Brosseau.

[*Translation*]

Ms. Ruth Ellen Brosseau (Berthier—Maskinongé, NDP): Thank you, Mr. Chair.

My thanks to the witnesses for being here with us today. I am pleased to see you again at the Standing Committee on Agriculture and Agri-Food.

During the election campaign, we had the opportunity to talk to our constituents and producers. One issue that came up over and over again is business risk management programs. If I'm not mistaken, changes were made in 2013. The government slashed those risk management programs. A few weeks ago, producers from Manitoba brought to my attention the fact that the number of people using those programs has dropped from 13,000 to 8,000.

On your side, have you noticed whether the number of people using those programs has dropped since those changes? Could you tell us why the use of the risk management programs has decreased?

● (1555)

Ms. Tina Namiesniowski: I would first like to clarify that there have not been cuts as such. The federal government, together with all the provinces and territories, decided to change the parameters of our business risk management programs.

Since I want to provide you with details, I would like to make sure I don't make mistakes, so I will continue in English.

[*English*]

The governments together decided to change *les paramètres de ses programmes* since there was a conscious decision in the context of Growing Forward 2 to rebalance the emphasis between business risk management and other programming offered through the Growing Forward 2 national policy framework. In that context, in the case of both AgriStability and AgriInvest, two key programs within the business risk management suite of programs, there was a decision to change the parameters of the programs. Again, that decision was made not solely by the federal government but by all of the governments implicated in Growing Forward 2. In that context, there was also a decision to make sure the business risk management suite of programs continued to move away from what we had previously or historically referred to as pure income support to programs that were really focused on helping producers deal with risks that were beyond their ability to manage.

In that context it was recognized that governments really had a role to play when there was extreme market volatility and the industry faced significant risks, and therefore some of the parameters were changed. Those parameter changes allowed for increased investment, for example, in the cost-shared strategic initiatives programming.

I am not sure which program the numbers you're quoting would relate to.

Ms. Ruth Ellen Brosseau: Is it possible to get information? Do you have numbers? There has been a reduction in people's use of these risk management programs, right?

Ms. Tina Namiesniowski: In relation to a question that was asked earlier, I think it's also important to recognize that the business risk management programming is statutory in nature, and it's what we refer to as demand-driven.

There were references earlier to commodity prices being quite good and some of the input costs and other costs potentially associated with a farm operation decreasing. Good prices reduce costs, so naturally there would be less of a demand for some of those programs.

You wouldn't necessarily want to say that changing the parameters led to reductions. I think part of the reduction in the number of people applying to programs could be attributed to that, but part of it also has to do with the reason for the existence of the programs. When things are good in the agricultural industry, you will, for example, see a reduction in the draw against those programs.

Ms. Ruth Ellen Brosseau: When I've had a chance to speak to farmers in my riding and across Canada, they've said that the changes to those programs have not been very beneficial and they are hoping that these programs are going to be brought forward again through Growing Forward 3, or whatever it will be called, and that they do actually work for the needs of farmers. I know that certain organizations in Quebec, and across Canada the Federation of Agriculture, have worked hard. They have submitted and passed resolutions asking for the programs to be looked at and reworked so that they do fit the needs of farmers every day.

● (1600)

[*Translation*]

Mr. Chair, do I have enough time left to ask another question?

The Chair: You can finish your question.

Ms. Ruth Ellen Brosseau: That's fine. Thank you.

Mr. Pierre Corriveau: I would like to add something for the new members of the committee.

In many cases, statutory programs are not discussed in detail. The funds are not subject to votes. For instance, in the list of the supplementary estimates, we see an amount of $1.3 billion. That explains why the discussion here is not focused on that point. Most of those programs are implemented by the provinces. There are four main risk management programs. Apart from the AgriInvest program, which is implemented by the feds, except in Quebec, most of the other programs are implemented by the provinces.

I just wanted to put things into perspective.

[*English*]

The Chair: *Merci.*

Alaina.

Mrs. Alaina Lockhart (Fundy Royal, Lib.): I am wondering if you could explain to us the cost-shared funding under Growing Forward 2 and how it supports the Atlantic provinces, specifically, in meeting their local and regional needs. Do you have any programs there that are working well, or that are included?

Ms. Tina Namiesniowski: Not that I want to correct my colleague, but maybe I want to correct my colleague a little in the context of the business risk management suite of programs. There are five programs that we capture as part of that suite. They are all cost-shared sixty-forty with the federal government, and a lot of them are delivered by provinces and territories, but there are some that continue to be delivered by the federal government as well. AgriStability is an example of shared delivery. We deliver for four provinces federally, and all the other provinces deliver that program on their own behalf.

Let me talk to the question that was just raised about cost-shared programming in the Atlantic provinces. Like all other provinces and territories, the Atlantic provinces also receive funding through the cost-shared strategic initiatives allocation under the Growing Forward 2 framework. Like every other province and territory, they have the flexibility to establish programs that work to meet their regional and local needs. In that context, they all have programming that delivers support to the industry that relates to innovation, competitiveness, and market development, as well as industry, sustainability, and capacity. I don't have specific examples of those programs, but in the context of each of the respective agriculture ministries in provinces and territories you'd be able to find information about those programs that are delivered locally. Federally, we have created, with the provinces and territories, an electronic tool called AgPal. This tool provides a listing of all the programming that is supported for the industry by both provinces and territories, with a few exceptions, because not all provinces are participants in AgPal.

Pierre made reference to the fact that under the statutory business risk management programming we spend a considerable amount of money on an annual basis. Federally, we provision for about $1.5 billion annually for business risk management programming, and an additional 40% is put on the table by provinces and territories.

Of all the other programming, including the cost-shared programming and our federal-only programming, probably one third is spent on the other programming that directly supports industry. The business risk management programming consumes the most amount of money on an annual basis in support of the industry, and that is programming directed at individual farmers.

Mrs. Alaina Lockhart: We're looking at $35.5 million additional for programming, so I'm trying to establish where we are seeing growth in innovation and where these programs are working the best. I think we asked the question and we couldn't break it down by province, but is Atlantic Canada participating in these programs? Are we seeing successes there? Are there some examples you could give us?

● (1605)

Ms. Tina Namiesniowski: I can't give you examples at a provincial level. We'd have to go to the province and ask for some specific examples of projects that they've supported that fall under their broad pillar of innovation programming, but in addition to programming that is supported at the regional and local levels, we federally also deliver innovation programming, and through that programming we support what we refer to as science clusters, for example.

We have 14 science clusters, many of them commodity based, where we expend a significant amount of our innovation programming around research and development for the industry in relation to those different commodities. On top of that, we also have an element of programming that supports specific projects as well as an element of programming that supports the commercialization of innovation. Federally we could provide you with many examples of the projects that we support and we potentially can solicit input from provinces and territories to give us some examples.

Mr. Pierre Corriveau: To add clarification, for the funding that has been put in place, there's a formula all the provinces have agreed to, so every province receives its fair share. It's usually based on the science of the agriculture industry in the respective provinces.

Mrs. Alaina Lockhart: Does that equation that has been agreed upon also apply to this amount as well?

Mr. Pierre Corriveau: Yes, that's the heart of that negotiation, in fact.

Ms. Tina Namiesniowski: And there's a linkage. That formula links to the share of farm cash receipts across the country. It's a long-standing formula that has been used around the cost-shared programming in terms of how much of that overall amount of money.... I think we mentioned at the outset that there's $2 billion. We referred to our Growing Forward 2 framework as a $3-billion framework, but that does not include the business risk management expenditures. As I said, that $3 billion is over five years, and under the business risk management suite of programming we expend federally approximately $1.2 billion each year. It's a big amount of money, but of that $3 billion that's earmarked for the framework, $2 billion is for cost-shared strategic initiatives, and that $2 billion is shared, $1.2 billion by the federal government and $800 million by provinces and territories, and that's distributed over a five-year period.

Every province and territory provides us with what they expect to spend on an annual basis against the amount of money that's allocated for them. If they're unable to spend it, as Pierre mentioned, there is provision in the agreement for us to re-profile up to 25% of what they haven't spent against their planned expenditures.

We had a problem at the outset of the framework because some provinces took longer than others to set up their programs. In the first year there definitely was greater slippage in terms of the amount of money they were able to spend, but that re-profile provision gives them flexibility to continue to access that money in the next fiscal year, up to 25% of their planned spending. They really like it.

The Chair: Thank you very much.

This concludes the first round, and we will now move to the second round.

[*Translation*]

Mr. Breton, you have the floor for six minutes.

Mr. Pierre Breton (Shefford, Lib.): Thank you, Mr. Chair.

Mr. Corriveau, thank you for all those clarifications. My understanding is that most of the amounts requested under the supplementary estimates are for cost-shared programming under Growing Forward 2.

Could you tell us how you evaluate the amounts invested in those programs, in relation to the needs assessment, of course.

Mr. Pierre Corriveau: The Treasury Board has a policy that indicates that all programs of all departments must be evaluated once every five years. Our department has undertaken this process so that the next policy framework is developed according to that evaluation. If sectors had success, we build on that success. But if they did not have a lot of success, we change course.

I will give the floor to my colleague who can give you more details about this.

● (1610)

Ms. Tina Namiesniowski: That's right. The Treasury Board has a policy that we follow to evaluate our programs.

Furthermore, the provinces and territories are responsible for evaluating their own programs.

As part of the Growing Forward 2 policy framework, we have set very clear objectives with performance indicators for all the cost-shared strategic initiatives with the provinces and territories. Right now, we are gathering information through a survey.

[*English*]

We're going to write to producers and industry to get feedback on the cost-shared strategic initiatives programming. We're going to use that as a mechanism and as a part of our evaluation. We're going to do the survey now and near the end of the framework.

We're establishing a baseline and really seeing, by the end of the framework, what kind of impact that level of investment has had on the industry and how successful we have been relative to our strategic objectives in relation to the programming that's delivered by the provinces and territories.

[*Translation*]

Mr. Pierre Breton: That's interesting, thank you.

Mr. Corriveau, my understanding is that the evaluation will be done this year.

Mr. Pierre Corriveau: Yes, it is under way.

Mr. Pierre Breton: It is under way.

Mr. Pierre Corriveau: We are already planning the next policy framework.

Mr. Pierre Breton: Okay.

How does accountability work with the people who receive those amounts of money or who benefit from the programs?

Mr. Pierre Corriveau: As Ms. Namiesniowski explained, for the cost-shared programs, the provinces are required to be accountable. Since they provide the funding, an evaluation is carried out every year for all those who receive funding in the provinces. Audits are conducted locally, with the provinces, to ensure that the funds are used wisely and in compliance with the agreement signed with the provinces. An audit is carried out for each program.

Right now, we are evaluating the public accounts. When the Auditor General comes to see us to check our financial data, he also sometimes communicates with the provinces to ensure that our numbers match theirs. That's usually the case for the more substantial amounts. Officials from the Office of the Auditor General of Canada will communicate with each province in turn for a period of five years.

Mr. Pierre Breton: Mr. Chair, I have one last question.

Mr. Corriveau, a little earlier you talked about the expectations for performance. Are the indicators in place already or are they still to come?

[*English*]

Ms. Tina Namiesniowski: No.

[*Translation*]

They are already in place. When we prepared Growing Forward 2, we negotiated with the provinces a performance framework for this policy. We had to choose very specific indicators. Everything is relative. We identified indicators and a performance framework.

[*English*]

That's the basis on which we're undertaking a survey right now on the cost-shared programming. It's relative to that performance framework.

When you think about evaluations, there are different levels of evaluation. There is an evaluation for the program itself and that is an obligation we have further to the Treasury Board policy on evaluations where we're required, every five years, to evaluate a program. Every single project has expected performance measures where we're providing money to a proponent on the understanding that there will be specific deliverables, so we are assessing every single project relative to what is expected to be achieved.

We don't necessarily give out all the money up front. We expect to see progress relative to those deliverables and that's the basis on which we provide funding to a proponent. Some of those projects last five years, some are shorter, and some are only one year, but each of them has a level of performance that we also evaluate.

On top of that we also perform audits as well as recipient audits where we will visit a proponent to make a determination as to whether or not the funding has been used for the activities that were approved. We carry out a level of due diligence in relation to approving a project but also afterward, as we're assessing the impacts of that project.

● (1615)

[*Translation*]

Mr. Pierre Corriveau: I would just like to add a few points.

The question is very timely, since today the President of the Treasury Board presented to the House the blue book, the plans and priorities for 2016-17. In that document, you will see the performance indicators for some of the department's activities. That is what we will use for next year. That actually reflects our federal-provincial agreements.

The Chair: Thank you very much.

Mr. Jacques Gourde (Lévis—Lotbinière, CPC): Let me turn to the risk management programs. Every year, farms must provide their financial statements. Then a reference margin is established, making the math possible over five years. There are all sorts of ways to account for both good and bad years.

What worries me is that, in agriculture, you can have five bad years in a row. For instance, corn may sell for $50 or $70 below the production cost for five years. Corn may sell for $150 per tonne for five years. In that case, the risk management program basically becomes obsolete, because there are no fluctuations or points of reference.

However, agriculture had some good years, such as 2014-15 and 2015-16, for both grain and meat. Yet I am told that the program considers the reference for the production cost rather than the real reference. So say the price of corn reaches $300 one year, then drops to $295 the second year, and stabilizes at $150 the following years. The amounts of $300 and $295 are then brought down to $225.

Is it true that the reference is for the production cost or is the actual cost of the commodities really taken into account?

Ms. Tina Namiesniowski: One of my colleagues is an expert in the field. Let me invite her to join us at the table to answer your question.

Ms. Élise Legendre (Acting Director, Strategic Analysis and Program Development, Department of Agriculture and Agri-Food): I am Élise Legendre. I work for the risk management programs.

If the information that you have is from Quebec, I must say that a large part of the production costs depend on the provincial programs only, such as the farm income stabilization insurance program, ASRA. Unfortunately, I cannot comment on those programs, because I am not familiar with them.

In terms of the risk management programs, we use the reference margins to create an Olympic average. In other words, we eliminate the best and the worst of the last five years, and we calculate the average of the remaining three years. That is how we use the production costs. We work with the eligible revenues and the eligible expenses for those three years.

Mr. Jacques Gourde: So my concern is legitimate. If a farmer has five bad years in a row, the program will not work.

Ms. Élise Legendre: Their reference margin will decrease, but the program may still work.

Mr. Jacques Gourde: What is that based on? There is no longer a reference margin. There is no longer a high and a low. Would the reference still be based on the best of the three years?

Ms. Élise Legendre: The three years in the middle will be taken into account.

If there are three bad years, the level of support to producers will actually be adjusted. One of the important principles of the program is to not hide the market signals, so that producers can adjust their production. That is one of the reasons why those programs use that reference margin.

Mr. Jacques Gourde: Yes, but in reality, grain farmers will not stop producing corn. They will continue to produce corn, soybeans, wheat. It is utopian to think that farmers will change their production completely. Grain producers with 1,000 hectares can change a segment of 100 hectares or so to produce soybeans, but ultimately, corn represents 60% of their production, while the remaining 40% is used for soybeans, wheat or barley. They will still produce those types of grains.

Beef producers will not change their production to pork. They will still produce beef. They may adapt to the ups and downs of the market, but when you are established in a production, you either stay or go. If everyone leaves, things are no further ahead.

● (1620)

Ms. Tina Namiesniowski: Let me add that it is important to remember that risk management programs are not income support programs. They are programs based on the concept of risk management. AgriStability is not the only program. There are also other tools, such as insurance. All those programs give producers many opportunities to use the various tools in the pool. It is not just one program; it is possible to use all the programs. It is important to keep that in mind when we talk about risk management programs.

Mr. Jacques Gourde: Does a payment under the federal risk management program counterbalance a provincial payment or does it become debt? In Quebec, a federal payment can be made under the farm income stabilization insurance program, ASRA.

Take, for example, a producer with two crops, one covered by ASRA and one that is not stabilized and has received federal support for one of seven years. That year, the money was deducted from a provincial program for another crop, given that the provincial government had advanced funds to that federal program.

I personally had that experience in 2003-04. From two different crops, the province of Quebec held back one-third of the amount that the federal government had paid. That's crazy.

Ms. Élise Legendre: I would have to check and see how the Quebec program dovetails with the federal-provincial program. The two are actually aligned.

Mr. Jacques Gourde: For producers, that debt appears on no statement. They figure it out if there is a payment. If there is no payment, they don't know whether that money will be claimed back by the province until the federal government advances the funds. The federal government does not make payments. It advances money to producers, money that is owed to another provincial program.

Is that possible?

Ms. Élise Legendre: It is difficult for me to comment on a situation like that. Generally speaking, payments from provincial programs come first. The calculations are made, but I cannot comment on that specific situation.

The Chair: Thank you.

Thank you, Mr. Gourde.

Mr. Drouin, go ahead.

Mr. Francis Drouin (Glengarry—Prescott—Russell, Lib.): Thank you, Mr. Chair.

[*English*]

I have a question with regard to the lapsed funding with Growing Forward 2, and where, if the funding lapses, the provinces can apply up to 25%. I just want a bit of an explanation so that I understand correctly. Are the programs normally spent in upwards of 75% if they can apply for up to 25%, or is that maximized each and every year?

Mr. Pierre Corriveau: They can spend 100% in a year. Usually, if we look at general trends, in the first year of the framework it takes time for the program to set up its new parameters or new programming, so sometimes the money will lapse. There are some provinces that will be close to 100% or 90%, so they will only be entitled to that 10% carry-forward.

Look at it as a bell curve. Usually there are going to be lapses in the first two years. I'd say that this year, the current year, we've only brought in 15%. In general, it provides a signal that in fact provinces are spending the money they've been entitled to, because there's only been a 15% lapse. We expect as we go forward there will be even fewer lapses.

Mr. Francis Drouin: I'll go off on another tangent. With regard to the sale of real properties, I notice you've had $5.5 million in revenues. How does Agriculture Canada determine whether or not to deem a property in surplus? Is that mostly agricultural land? I'm thinking that in Ottawa we have the Experimental Farm. What was sold in those properties?

Mr. Pierre Corriveau: I can give you a few examples, and they are pretty much across the country.

There was the announcement that was part of the deficit reduction action plan. A number of our properties were identified for disposal. Sometimes the land doesn't belong to the department; it technically belongs to us as long as we use it for the purpose for which it was made.

I'll use a research example. We had a research centre in Winnipeg on the campus of the university. The land is owned by the department, but as soon as we stop our operation, the land reverts back to the university. In this case, there would be no money generated.

I'll use one in Alberta, for example. We had a little research centre in Fort Vermilion. In this case, the local county or the regional government purchased that property from the department.

There's a pecking order when we are going to sell it. Usually we verify whether there are other federal departments that would have an interest in that property. Then we want to make sure whether there were any aboriginal rights. That varies quite substantially from province to province. Some provinces have treaty land entitlement, where basically the local aboriginal group can purchase, at market, the value of surplus property. Then it goes in a pecking order: the province; the municipality; and then, if nobody has an interest, it's put on the open market for purchase.

I have a case, for example, in Glenlea Field, Manitoba. We had a small farm. There was no interest by either the province or the.... So it was sold on the market, and a private producer bought the property from us.

● (1625)

Mr. Francis Drouin: If Agriculture Canada is doing research on properties, how do you determine whether one is more valuable than the other? Are there criteria that you follow?

Mr. Pierre Corriveau: The first thing is the Treasury Board policy says that in general, and this applies to every department, the departments are to hold lands only for program purposes. Basically, if you no longer have a requirement, you should be disposing of it.

My colleagues in science would be in a much better position to explain the process. For example, there used to be dairy research at a number of sites, now it's only in Sherbrooke, Quebec. That provided us with an opportunity to consolidate our entire dairy research and build a world-class facility, which I encourage members of this committee to go and visit. These science facilities are very expensive to build and operate. We did this, for example, in Brandon, Manitoba, when our research centre closed in Winnipeg. We're in the process of doing this right now in Swift Current, Saskatchewan. Usually we are present in every province. There is at least one research centre in every province. Obviously as a reflection of time, priorities change and all that.

Mr. Francis Drouin: I just want to understand a bit more about how the federal government sets priorities with regard to innovation and agriculture. I know my colleague from Guelph likes to hear about this too. Can you explain to me how you work with provinces to determine what is deemed innovation within the agricultural sector? What programs are currently out there to help, yes, universities, but also directly work with farmers for that?

Ms. Tina Namiesniowski: In terms of how we determine priorities, innovation is a fairly broad priority, and what we really do is work with industry in terms of the establishment of those priorities. With respect to the federal innovation programming that's supported through the Growing Forward 2 framework, we have two streams of programming that provide funding to industry. The first stream is what we refer to as industry-led research and development. It's through that stream of programming that we support pre-commercialization research and development, and knowledge transfer leading to innovative agriculture, agrifood, and agri-based processes, practices, and products. We provide through that stream non-repayable contribution funding in support of our industry, and that can also implicate federal scientists.

We have a number of projects at the cluster level. We have 14 research clusters, and most of them are commodity-based, on beef, pork, dairy, grains, special crops, horticulture. Bioproducts, for example, are some of the clusters that we're supporting that implicate our scientists. Through that support, our scientists are working with industry and academia in helping to drive innovation in the sector. That can include everything from variety development, for example, to more effective use of water, nutrients, fertilizer, in an effort to drive down input costs, in an effort to reduce the footprint or the impact that the agriculture industry has on the environment.

In addition, we support specific projects that are focused on research and development.

Another stream is our enabling commercialization and adoption stream. That is focused on the acceleration and demonstration and/or adoption of innovative products and technologies. That is a stream that is very focused on the not-for-profit sector. It enables companies that have an innovative product or process that they would like to commercialize and put into place to have the ability to come in and seek financial support, but because they're for-profit companies, we provide that support as a repayable contribution. They are required over time to actually repay the money that we would provide through that program. That's consistent with the government's transfer payment policy.

● (1630)

The Chair: Thank you. We're out of time.

Mr. Warkentin, you have five minutes.

Mr. Chris Warkentin (Grande Prairie—Mackenzie, CPC): I do appreciate both of you coming, and certainly you've given us a broad overview in the last number of minutes.

I'm going to go in a slightly different direction and talk about partnerships. Obviously the Growing Forward programs are important partnerships between provinces and the federal government, but Ag Canada is involved in other partnerships, including those with universities and colleges across the country.

One I'm very proud of and would like to highlight is a project happening at the Beaverlodge Research centre in Beaverlodge, Alberta, my constituency, in which the local college has partnered with WED to build a facility. Now we have the National Bee Diagnostic Centre, which has been an incredible partnership. In the region of the Peace Country there was an absolute necessity for local beekeepers to have a centre where they could send specimens when they saw bee deaths within their hives, and bee colony collapses.

Now people from around the world are utilizing the centre, so a local need in a local community, for which there was expertise at the local research centre, was able to then be a catalyst for the building of this not-for-profit organization, which has really transitioned and grown over the last number of years.

First I'd ask if you're familiar with the centre. The centre is going to be asking for a little bit more money. Right now they are doing five times the work they were expected to do, which is really a good-news story. We've seen the death rate of bees across the country actually drop in the last number of years, partly because farmers now have access to a diagnostic centre.

It's interesting to note that in Beaverlodge, a significant number of the specimens they're studying actually come from other provinces, so it's not just regional but truly national.

This may be a policy question and it may be unfair to ask you, but are there going to be opportunities in programs in the future? Can you foresee an opportunity for partnerships to continue to develop not only with the provincial governments but also with universities and colleges, in collaboration with pre-existing research centres within the department? Is there a push in that direction? Are there opportunities to see those projects continue to expand and grow?

● (1635)

Mr. Pierre Corriveau: Mr. Chair, I've been at Beaverlodge. I had a tour of the entire facility, inside and out. I spent a whole day there. It's an amazing facility.

Obviously I don't have a crystal ball showing the future and I'm not a policy-maker, but I want to see a trend in this department. Partnership is the way to go. There is nothing we can do on our own. Those types of infrastructure cost too much. I can use lots of examples. UPEI is one. If you look at the history of the department, we are on campus at Laval University, in Winnipeg, and in Saskatoon.

That facility is supported by not only the Department of Agriculture. We had the land and we had some facilities, but that is also a partnership within the federal government. We continue to partner with organizations like WED, ACOA, and the regions of Quebec DEV.

Every time there is an opportunity in the sector, we'll link with the department and also with the private sector which, in this case, would mean the community college in Grande Prairie. We've always been very supportive, and I think the trend across this department of research infrastructure is to build partnerships.

Somebody mentioned Guelph. If you go into our facility, one part is provincial; one part is the university; and one part is federal, but you wouldn't notice that if you came through the front doors. I think that's the theme in this department. More and more you'll see those kinds of partnerships, whether in Beaverlodge or anywhere else in the country. I think, however, it is obvious that with the price of technology there definitely need to be partnerships with provinces, other federal departments, colleges, and the private sector.

Mr. Chris Warkentin: On behalf of Peace Country beekeepers as well as beekeepers across the country, I want to thank the department for its proactive partnership in this.

There is a technical aspect to this in terms of expanding the current facility. I believe Ag Canada has a policy that any structure not owned by it but placed on its land needs to be considered a temporary building.

I think right now discussions regarding when a facility is no longer considered temporary are getting locked down. To actually address the growing demand on the facility, it would probably require an expansion to double or quadruple its size, so we're sensing that some technical aspects might need to be worked out. We look to you and encourage you to maybe find a technical solution.

Mr. Pierre Corriveau: I'm quite aware of this; it's not unique to Beaverlodge. We're the federal government, and when you build on our land, you have to meet federal guidelines. If you're a developer, that means you need to comply with the municipal, provincial, and then the federal guidelines.

We're working, maybe not on Beaverlodge currently but on some other ones. Based on the track record of the department, where there's goodwill on every side of the file, I'm sure we can find a solution where it's win-win for everyone.

Mr. Chris Warkentin: It sounds like some innovation is going to take place.

Mr. Pierre Corriveau: Sometimes we need a push, but it happens.

The Chair: That completes this portion of the meeting.

I want to thank our two witnesses for their wonderful job; very interesting input into the estimates.

At this time we'll take a couple of minutes' break and we'll come back to vote on the estimates.

● (1635)

(Pause)

● (1640)

The Chair: We shall return to order for our vote on the supplementary estimates.

Pursuant to Standing Order 81(5), supplementary estimates (C) 2015-16, votes 1c, 5c, and 10c under Agriculture and Agri-Food, were referred to the committee on Friday, February 19, 2016.

Shall votes 1c, 5c, and 10c under Agriculture and Agri-Food carry?

AGRICULTURE AND AGRI-FOOD

Vote 1c—Operating expenditures..........$6,927,382

Vote 5c—Capital expenditures..........$5,452,738

Vote 10c—Grants and contributions..........$35,521,769

(Votes 1c, 5c, and 10c agreed to)

The Chair: Shall I report supplementary estimates (C) 2015-16 to the House?

Some hon. members: Agreed.

The Chair: Now we need to approve the budget for our upcoming witnesses.

The amount of money requested to get our witnesses in is $2,900.

● (1645)

Is everybody in favour of approving this amount?

Some hon. members: Agreed.

The Chair: Ms. Brosseau, you have a question?

Ms. Ruth Ellen Brosseau: Yes. How many meetings does this cover?

The Chair: Just one meeting, and I believe we have four witnesses.

Ms. Ruth Ellen Brosseau: Okay, thank you.

We're going to try to use video conference, but most people who are coming are probably in Ottawa.

The Chair: This is a standard amount that we usually vote for, but it's probably going to cost less than what we have here.

Ms. Ruth Ellen Brosseau: I just wanted to ask.

The Chair: Sure. Thank you for the question.

We voted on it. That's good.

It's the pleasure of the committee if you want to go into subcommittee or if you want to do the agenda, as we are here or in camera. What is the pleasure of the committee? Are there any comments?

Mr. Warkentin.

Mr. Chris Warkentin: I'm happy to proceed how the committee wishes, but I thought it had been the will of the committee to have a subcommittee meeting following this meeting. Are we going into that or are we adjourning this meeting?

The Chair: If it is the pleasure to go into subcommittee then we'll adjourn this meeting and move into subcommittee. Are you good with that?

This meeting is now adjourned.