ESTIMATES

Canadian Grain Commission

Performance Report

For the period ending
March 31, 2001

Canada

Improved Reporting to Parliament
Pilot Document

Each year, the government prepares Estimates in support of its request to Parliament for authority to spend public monies. This request is formalized through the tabling of appropriation bills in Parliament.

The Estimates of the Government of Canada are structured in several parts. Beginning with an overview of total government spending in Part I, the documents become increasingly more specific. Part II outlines spending according to departments, agencies and programs and contains the proposed wording of the conditions governing spending which Parliament will be asked to approve.

The *Report on Plans and Priorities* provides additional detail on each department and its programs primarily in terms of more strategically oriented planning and results information with a focus on outcomes.

The *Departmental Performance Report* provides a focus on results-based accountability by reporting on accomplishments achieved against the performance expectations and results commitments as set out in the spring *Report on Plans and Priorities*.

The Estimates, along with the Minister of Finance's Budget, reflect the government's annual budget planning and resource allocation priorities. In combination with the subsequent reporting of financial results in the Public Accounts and of accomplishments achieved in Departmental Performance Reports, this material helps Parliament hold the government to account for the allocation and management of funds.

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Foreword

In the spring of 2000 the President of the Treasury Board tabled in Parliament the document "Results for Canadians: A Management Framework for the Government of Canada". This document sets a clear agenda for improving and modernising management practices in federal departments and agencies.

Four key management commitments form the basis for this vision of how the Government will deliver their services and benefits to Canadians in the new millennium. In this vision, departments and agencies recognise that they exist to serve Canadians and that a "citizen focus" shapes all activities, programs and services. This vision commits the government of Canada to manage its business by the highest public service values. Responsible spending means spending wisely on the things that matter to Canadians. And finally, this vision sets a clear focus on results – the impact and effects of programs.

Departmental performance reports play a key role in the cycle of planning, monitoring, evaluating, and reporting of results through ministers to Parliament and citizens. Earlier this year, departments and agencies were encouraged to prepare their reports following certain principles. Based on these principles, an effective report provides a coherent and balanced picture of performance that is brief and to the point. It focuses on results – benefits to Canadians – not on activities. It sets the department's performance in context and associates performance with earlier commitments, explaining any changes. Supporting the need for responsible spending, it clearly links resources to results. Finally the report is credible because it substantiates the performance information with appropriate methodologies and relevant data.

In performance reports, departments strive to respond to the ongoing and evolving information needs of parliamentarians and Canadians. The input of parliamentarians and other readers can do much to improve these reports over time. The reader is encouraged to assess the performance of the organization according to the principles outlined above, and provide comments to the department or agency that will help it in the next cycle of planning and reporting.

This report is accessible electronically from the Treasury Board of Canada Secretariat Internet site:
http://www.tbs-sct.gc.ca/rma/dpr/dpre.asp
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Canadian Grain Commission

2000–01 Department performance report

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Section 1: Messages

Minister's message

This *Department Performance Report,* the first independently produced by the Canadian Grain Commission (CGC), details how the CGC used its resources from April 1, 2000 to March 31, 2001 to regulate the grain industry and deliver consistent quality grain to Canada's domestic and foreign grain customers.

Canada is known around the world for the quality, reliability and safety of its grain exports. This is a key factor in permitting Canadian exporters to market effectively in competitive international grain markets.

This competitive advantage must be supported to ensure that Canadian grain producers receive maximum value for their products. To do this, the CGC must deal with an unprecedented pace of change in the grain industry. This report outlines the major challenges the CGC faces and shows how they are being addressed.

These continue to be challenging economic times for many Canadians farmers, especially for grain producers. The extra resources the federal government has committed to the CGC through to the end of fiscal year 2003–04 illustrates our commitment to building a strong quality assurance system for the grain industry.

The Honourable Lyle Vanclief
Minister, Agriculture and Agri-Food

Chief Commissioner's message

I am pleased to present the Canadian Grain Commission's (CGC) *Department Performance Report* for April 1, 2000 to March 31, 2001.

Canadians benefit from the work and results of Canada's grain producers, plant breeders, marketers, and handlers, and the quality assurance system. In the 2000 calendar year, Canada exported more than $23 billion worth of food products which accounted for 5.5 percent of total exports. Canada's exports of grains, oilseeds and related products had a value of $9.5 billion.

Canadian grains, oilseeds and special crops are used around the world to make a wide range of consumer products. They have an excellent reputation in international markets because of their consistency and reliability.

The CGC provides services in grain quality management and quantity assurance to support the marketing of Canadian grain in world markets. In 2000–01, we set out to achieve the following strategic outcomes:

- A grading and inspection system that addresses the changing needs of grain markets
- Fair and open grain transactions
- Protection of producers' rights
- Sound agency management

This report demonstrates the CGC's achievements and successes in providing service during a time of rapid change, domestically and worldwide. For example, we addressed short and medium-term challenges to the visual grading and quality assurance system. CGC researchers and inspectors field-tested equipment developed in partnership with Hinz Automation to assist in grading lentils.

Our achievements included new services and revised policies. We introduced a protein arbitration service for grain producers in response to concerns about the accuracy of protein testing at primary elevators.

We continued to make services more efficient and cost-effective by streamlining terminal operations and cross-training staff. Our accounting practices are now compliant with the objectives of Treasury Board's Financial Information Strategy.

This report also identifies areas where there is still work to be done. Making the tools available for rapid, cost-effective grain quality assessment is a long-term challenge. To meet this challenge, we conducted research and led in the establishment of Automated Quality Testing Inc., a not-for-profit organization formed to facilitate research into non-visual methods of segregating grain.

To address the continuing need for more services in the Prairie Region, we increased the number of inspection and weighing staff in the region. We began research to develop objective means to assess frost damage. The long-term goal is to provide numerical tolerances for frost damage in western wheat classes.

Finally, during the past three years, our expenditures have increased for a number of reasons largely because of wages and benefits. Mandatory fees continue to be frozen. The challenge for the CGC will be to provide services in a cost-effective manner.

In closing, the CGC recognizes the changing demands of our customers and consumers. Food safety and quality preferences are examples of those demands. We feel that given the uniqueness of the Canadian grain industry, Canada can meet those demands. The CGC's contribution to that process is to deliver services in support of quality. Our commitment is to provide relevant regulations and services in a cost effective manner.

Barry Senft
Chief Commissioner
Canadian Grain Commission

Section 2: Strategic context

Mandate, mission and partnerships

The Canadian Grain Commission (CGC) derives its authority from the *Canada Grain Act.* The CGC's mandate as set out in this Act is to, in the interests of producers, establish and maintain standards of quality for Canadian grain and regulate grain handling in Canada, to ensure a dependable commodity for domestic and export markets. The CGC works to develop and implement policies that meet the needs of the industry in marketing Canadian grains. The CGC assures end-use quality, thus enhancing the marketability of Canadian grain.

The CGC is organized into the Executive, Corporate Services, Grain Research Laboratory (GRL), Industry Services, and Finance. Its head office is located in Winnipeg, Manitoba. Industry Services comprises five regions: Bayport, Eastern, Pacific, Prairie and Thunder Bay. The CGC employs approximately 700 full-time employees.

The CGC works closely with producers, other members of the Canadian grain industry, and other government departments and agencies to deliver its programs and services (see Annex 1). These partnerships assist the CGC in its mission: To be a leader in providing grain quality management and quality assurance, dedicated to excellent and responsive service supporting producers, all sectors of the grain industry and their customers.

Programs and services

The day to day operations of the CGC involve a number of programs. Of particular importance is the CGC's grain quality and quantity assurance program. This program results in consistent and reliable shipments of grain that meet contract specifications for quality, safety and quantity. The CGC's quality and quantity assurance services include:

- Inspecting grain to certify quality, including all grain received at and shipped from terminals, all grain exported from transfer elevators, and grading submitted samples of grain from producers and the grain trade
- Certifying weights for grain exports, supervising weighing at terminals, conducting audits of terminal and transfer elevator stocks and inspecting terminal and transfer elevator scales
- Identifying and explaining the relationships between the physical and biochemical properties of grain and the end-use value of grain
- Developing fast, accurate, economical, and meaningful methods for evaluating grain quality
- Supporting the sale and market development of grains and oilseeds by giving technical advice on grain and oilseed quality and end uses, and by evaluating the quality of plant breeders' cultivars to ensure that they have the physical and quality criteria needed for registration

- Screening, monitoring and certifying grain shipments to ensure that Canadian grain is not only safe but meets strict international tolerances for toxic contaminants
- Providing information to marketers and processors of Canadian grain on the quality of commercial grain shipments and of each harvest
- Investigating complaints and inquiries related to the quality and quantity of Canadian grain
- Providing other specialized services requested by the grain industry

The CGC also regulates the grain industry to ensure the fair treatment of producers and the integrity of grain transactions and to maintain quality as grain is moved through marketing channels. Regulation includes:

- Licensing eligible grain dealers and elevator companies
- Conducting audits of licensees' liabilities to producers
- Obtaining security to protect producers in case of default by a licensee
- Monitoring the financial position of licensees
- Developing and setting grain quality standards
- Inspecting grains and grain handling facilities to protect against insect infestations
- Collecting and publishing statistics on grain handling, storage, and movement
- Administering producer cars
- Mediating and resolving producer complaints concerning grain transactions

The CGC provides other services of value to the grain industry in Canada and abroad, such as:

- Operating the Grain Inventory Accounting System and facilitating information flow on behalf of the grain trade
- Providing grain quality information
- Offering general and custom-designed grain industry training courses
- Conducting contract work, for example, repairing moisture meters and doing chemical analyses of grain

Challenges

The Canadian grain industry operates in a climate of constant change. Canada's quality assurance system must be able to adapt to change while continuing to provide buyers with grains, oilseeds and pulses of consistent quality. This is particularly important considering Canada exported more than $23.0 billion dollars worth of food products in 2000. This accounted for 5.5% of Canada's total exports. Nearly one half of these exports were grains, oilseeds and related products with an estimated value of $9.5 billion. The following outlines some of the major challenges confronting the CGC.

1. Pressures on Canada's visual grading system.

Canada's kernel visual distinguishability system (KVD) allows grain inspectors and the grain handling industry to quickly and cost effectively segregate grain into classes based on what it looks like. Each class has specific end-use quality characteristics. This means there is a direct link between what Canadian grain looks like and how it will perform in its end use. Therefore, buyers of Canadian grain know how it will perform in its intended end use simply by knowing its class and grade. This segregation method allows for the relatively low cost, efficient movement of bulk grain through a constrained handling system.

Despite its advantages, there are pressures to move away from wheat segregation based on KVD. These pressures come from a number of sources:

- Plant breeders would prefer a segregation system that would allow for greater flexibility in breeding. The kernel type requirements of KVD reportedly restricts the ability of plant breeders to improve agronomic and quality characteristics in new varieties.
- New varieties are being developed with end-use quality characteristics that are different than the existing classes.
- Non-registered, non-visually distinguishable wheat varieties are sometimes grown in Canada when these varieties are perceived to have agronomic advantages such as higher yield. If these varieties are produced in sufficient quantities and have end-use quality characteristics that are very different from the classes they resemble, they have the potential to compromise the effectiveness of the entire quality assurance system.

2. The development of genetically modified grains and oilseeds.

Canada must address the marketing challenges presented by the development of genetically modified grains and oilseeds. With increasing consumer awareness of genetically modified grains and oilseeds, some countries are establishing genetically modified labeling requirements. This means that the ability to segregate genetically modified and non-genetically modified varieties could become critical to maintaining Canada's international market share. Since genetically modified varieties are not visually distinguishable from non-genetically modified varieties, this adds to the pressures on the visual grading system and intensifies the need to find an alternative method of segregation.

3. Structural changes in the Canadian grain industry.

Structural changes in the Canadian grain industry have had an impact on the CGC's revenue base. For instance, the 1995 repeal of the *Western Grain Transportation Act* increased the grain industry's rail shipping costs to Canadian ports. This has made offshore exports less competitive. As a result, average grain receipts at port terminals have dropped by about 20 percent since the early 1990s. This has had financial

implications for the CGC as most of its revenues come from fees charged for the inspection and weighing of grain as it is loaded into vessels for exports.

The grain industry has also witnessed the continuing decline in the number of small primary elevators along with simultaneous construction of new high throughput large scale elevators. Since the early 1960s, the number of primary elevators in western Canada has dropped from over 5,000 to just under 1,000. Over the same period, average storage capacity has gone from about 2,000 tonnes to 6,500, with some facilities capable of storing 100,000 tonnes. These changes have a number of implications for the CGC including a drop in licensing revenue; a need to change our licensing policies; a changing pattern of demand for CGC services, e.g., increasing demand for farm-gate quality evaluation; and a potential reduction in the uniformity of grain shipments.

4. Increased consumer concerns about food safety.

Buyers of Canadian grain increasingly demand more rigourous and timely testing to assure themselves that Canadian grain shipments are safe. This demand for special analyses of chemical residues on cargoes increases the importance of research aimed at developing new, or adapting existing analytical methods that can quickly provide the necessary precision and accuracy to meet strict industry tolerances.

Section 3: Performance report

In its 2000–01 *Report on Plans and Priorities*, the CGC organized its programs around the following four strategic outcomes (formerly known as key results commitments):

1. A grading and inspection system that addresses the changing needs of grain markets
2. Fair, open grain transactions
3. The protection of producers' rights
4. Sound agency management

These strategic outcomes demonstrate the benefits drawn from CGC services. For each strategic outcome, the CGC has identified planned results. The outcomes achieved for each planned result during the last fiscal year are reported below.

1. A grading and inspection system that addresses the changing needs of grain markets

Number of full-time employees employed: 549

Planned resources compared to resources used	
	$ Amount
Planned resources	$42,724,000
Resources used:	
Revolving Fund	$42,148,210
Special Appropriation	$ 707,587
Total	$42,855,797

Planned result: A quality assurance system adapted to deal with non-visually distinguishable varieties and the need to segregate genetically modified grains and oilseeds

The Canadian Grain Commission is committed to providing a grain quality assurance system that meets the needs of the grain industry today and over the long term. Our technical and scientific resources are critical to building a system fit to meet the challenges of demanding, competitive markets and an ever-changing industry.

Short term

In 2000–01, the CGC addressed several immediate challenges to the visual grading and quality assurance system. The introduction of non-registered varieties of wheat into the handling system was one of the most serious.

On several occasions, a non-registered variety, known as Pioneer 2375, entered the handling system at the primary elevator. Because of its agronomic advantages, the variety was grown on the Prairies. While it looks the same as registered varieties of Canada

Western Red Spring (CWRS) wheat, it performs differently when processed. Therefore, its presence in the handling system, beyond defined tolerances, could have compromised the quality of shipments of CWRS wheat.

The CGC successfully responded to this problem and met the quality assurance requirements of customers. In September 2000, we began monitoring railcars of CWRS wheat unloaded at terminal elevators and loaded at the ports for export. Using biochemical methods for variety identification, the CGC tested for purity of variety. No cargoes were detected over the tolerance.

Medium term

The CGC implemented several strategies to respond to medium-term challenges:

In January 2001, we established a grain quality management system committee that includes producers, grain handlers, the Canadian Seed Growers Association, the Canadian Wheat Board, Canola Council, the Canadian Food Inspection Agency and the Canadian Special Crops Association. Its purpose is to develop alternatives to visually based methods for segregating grains, oilseeds and pulses into lots with the same end-use qualities. A medium-term goal is to develop a plan for a variety declaration system. Details of the proposed system will be announced in autumn 2001.

The CGC and the Canadian Seeds Institute (CSI) began negotiations to develop a program to audit and certify identity-preserved (IP) systems. The partnership will bring together the CGC's experience in grain testing and the CSI's experience in process certification. The partners plan to develop a program supporting Canadian companies that want to gain access to specialty markets, for example, to customers who request specific grain varieties. The CGC planned a pilot of the program in the Bayport Region. Scheduled for 2001–02, the pilot will involve auditing and certifying IP processes used by companies in Ontario and Quebec.

Long term

The long-term solution to the limitations of the visual grading system will be to augment and then replace visual methods with non-visual methods of segregating grain into lots of similar quality. The industry needs fast, highly automated and sensitive tests to identify varieties or measure specific quality components. In 2000–01, the CGC continued to do research in this area. One result achieved is the implementation of a monitoring program for AC Navigator wheat. AC Navigator is indistinguishable from other Canadian Western Amber Durum varieties, but has different processing characteristics. IP processes were developed by the Saskatchewan Wheat Pool and the Canadian Wheat Board to ensure the two quality types are kept separate. The CGC's monitoring program randomly tests durum shipments to ensure that the processes are effective.

In April 2000, the Government of Canada committed up to $3.27 million to research non-visual methods of segregating grain. Research funded under this program requires industry partners to match these funds. The CGC spearheaded the establishment of Automated Quality Testing Inc. AQT is a not-for-profit organization that was

incorporated in September 2000 to facilitate research funded under this initiative. Research projects initiated by AQT will be based on needs defined by industry. AQT operates under the direction of a board of directors and is at arms length from the government. The CGC continues to support this initiative through its representatives on AQT's board of directors and its technical committee.

The development of DNA-based methods for identifying varieties is an important focus of the initiative. DNA fingerprinting methods will mean Canada has at its grasp rapid, automated, portable and cost-effective technology to certify shipments—for a certain variety, for the presence of genetically modified grain, or for a transgenic trait.

Planned result: CGC services provided in areas where there is growing demand

Changes in the grain industry, in regulation and in international markets during the last five years present opportunities for the CGC to offer innovative and much-needed services to its clients.

With the repeal of the *Western Grain Transportation Act*, producers must pay full freight rate for grain. This has changed the economics of exporting grain. It has encouraged value-added grain processing and the expansion in livestock production on the Prairies. It has also encouraged direct exports of grain to the United States. Grain exports to the U.S. have grown from 1.2 million tonnes annually in 1991–92 to 3.1 million tonnes in 2000–01. While CGC inspection services are not mandatory for shipments within Canada or to the continental U.S., many shippers request our services to ensure they are delivering the quality of grain their buyers want.

At the same time, grain handling companies have been building large high throughput elevators on the Prairies in an effort to improve operating efficiencies and lower transportation costs. Operators of high throughput elevators tend to make more requests for on-site CGC services to ensure that large unit train shipments are of the right quality as they leave their facility.

Pulse production has increased significantly on the Prairies. Canada is the world leader in pea and lentil exports with chickpea and bean exports on the rise. Rotational benefits, return per acre, minimal fertilizer requirements and contract prices have all played a role in the attractiveness of pulse crops to producers.

The CGC initiated several projects to meet the growing demand for quality assurance services for special crops and for services at our prairie service centres and regional offices.

Prairie services

The CGC has nine service centres on the Prairies. They provide a range of inspection, certification and weighing services on site at high throughput and primary elevators. During the last couple of years, producers and the industry have told us we should increase our level of service at the centres. In response, we increased our inspection and weighing staff in the Prairie Region by 14.

We plan to open an office in Swift Current in 2001–02. It will not be a full service centre, but rather a location for inspectors from the Moose Jaw office to carry out entomological analysis and have access to internal information systems and grain sample storage.

Prairie service centres provided a number of analytical services such as protein and moisture tests, test weight measurements, evaluations of specific grading factors, and entomological services to producers and the industry. Our facilities in Winnipeg handle requests from our clients in the Prairie Region for more complex analytical tests. The CGC considered providing these analytical services at our Prairie offices, but the cost of equipment was too high to justify an expansion in service.

Pulse crops

The CGC established a pulse research program in early 2000 after hiring a pulse research scientist in February of that year. One focus of the program is the development of internationally accepted methods for establishing quality standards for Canadian pulse crops. There are currently no standardized methods worldwide for evaluating end-use quality of pulses. Of particular importance will be the development of methods for evaluating pulse cooking quality.

In August 2000, the CGC organized a meeting of representatives of the world's leading pulse exporting countries to develop international standards for pulse crops. Delegates from organizations representing growers and marketers in Australia, the United States, Canada, and Europe began the first steps in developing methods for identifying and testing the quality of peas, beans, lentils, chickpeas and other pulse crops. The committee identified 15 projects which would lead to better, internationally accepted methods for assessing such quality parameters as colour, size and shape, dehulling efficiency and cooking and canning quality. CGC research on methods for measuring quality will contribute to this work and, eventually, to the marketing of Canadian pulse crops internationally.

Planned result: Enhanced ability to monitor and detect pesticide residues, mycotoxins, heavy metals and fungi to continue to ensure Canadian grain shipments meet the strictest international food safety tolerances.

The safety of food for human consumption and feed for animals is a major issue for primary producers, processors, retailers and consumers. Grain safety is a priority issue with grain buyers and an essential specification in grain marketing.

Grain safety is a quality assurance priority at the CGC. The CGC's grain safety program has four components — prevention and control, monitoring, research and market support. This ensures that the marketability of Canadian grain is not jeopardized by a rapidly expanding number of food safety issues. CGC grain safety services provide marketers and buyers with the means to assure and certify the safety of Canadian grain shipments.

The international marketplace has increasingly stringent and complex standards for toxic substances and grain safety. The CGC develops and assesses analytical methods to

maintain its detection capabilities. This work includes assessing rapid tests to increase efficiency and reduce costs. We look at the availability of these tests, their efficiency, their impact on material, and labour costs.

Most rapid tests are specific for one chemical, and results are given within wider tolerances than are available from laboratory tests. Their cost-effectiveness may be limited, compared to laboratory tests, which can often test for several chemicals simultaneously. The choice of method, however, depends on the client and how the results are used. In 2000–01, we assessed two enzyme-linked immuno-sorbant assay (ELISA) methods—citrinin and ochratoxin.

One of the aims of the CGC is to strengthen our research and services by investing in new equipment and ensuring the unit has sufficient space and resources. For example, in 2000–01, a new gas chromatography system was purchased.

Planned result: Improved international reputation and recognition as a world-class and impartial quality assurance agency

The CGC is working towards obtaining ISO certification for key quality and quantity assurance services. This work involves a close examination and documentation of services and procedures. In 2000–01, the Bayport and Pacific regions passed the audit process. Prairie, Thunder Bay and Eastern Regions are expected to do the same in 2001–02. The head office of Industry Services will also be certified. Work will also begin to have Corporate Services and the Grain Research Lab ISO-certified in the near future.

Meeting ISO standards is an important part of doing business in a global economy. The CGC decided to apply for ISO certification to enhance Canada's international reputation for grain quality assurance. As part of the process, we are implementing a quality management system to improve performance, control documentation processes, and support better management practices.

Planned result: Ongoing and effective quality and quantity assurance services while adapting to end-use needs of buyers and to grain industry changes.

Market support missions

CGC researchers and inspectors play an important role in the sale and marketing of Canadian grain. In market support missions, researchers and inspectors exchange information on quality characteristics of importance to buyers and processors. They also ensure that the Canadian quality assurance system is meeting the needs of customers. Customer feedback is used to improve the quality assurance system. Market support missions take place each year.

In early 2001, we participated in a market support mission to India to explain Canada's quality control system for pulse crops to customers in India. In the process, we learned about many of the difficulties associated with meeting the needs of this huge market.

We continued to make progress in developing technology and methods to assist in grading and inspection.

Frost damage assessment

In 2000–01, we began research to develop objective means to assess frost damage. The long-term goal is to provide numerical tolerances for frost damage in western wheat classes. Current grading standards for frost are subjective, requiring inspectors to make an assessment according to the "degree of soundness" of the sample. More objective assessments are more easily explained to foreign buyers and will improve the consistency of grading.

Lentil colour assessment technology

In the Canadian grain quality assurance system colour is an important consideration in lentil grading decisions. Currently, lentil colour is visually assessed using photographic colour guides. Because colour assessments of this type are subjective, inconsistencies arise that affect price. To overcome these inconsistencies, the CGC developed a robust, cost-effective, simple-to-use instrument for assessing the colour of lentils. In 2000–01, we field tested the prototype.

The technology consists of a computer and optical scanner, plus software developed by CGC. A scanned image of a lentil sample is processed by neural network software to make a colour assessment. The software has been designed to make the same colour judgments that a highly trained CGC grain inspector would make.

The equipment is portable and allows lentil samples to be evaluated for colour at any point from the farm bin to the grain export terminal. The CGC will use the technology for official grading purposes in 2001–02. Hinz Automation of Saskatoon, Saskatchewan will be responsible for manufacturing, marketing and technical support for this new instrument.

This technology will suit domestic and international markets, and in the near future, the technology may be used for beans and chickpeas. In Canada, the system will be marketed to lentil producers, buyers, handlers and processors. There are also markets other pulse crop producing countries such as Turkey, Syria, China, and the United States.

2. Fair, open grain transactions

Number of full-time employees employed: 29

Planned resources compared to resources used	
	$ Amount
Planned resources	$3,450,000
Resources used:	
Revolving Fund	$ 265,404
Special Appropriation	$2,511,133
Total	$2,776,537

Planned result: A grade arbitration system adapted to changing industry needs

The CGC's grade arbitration system is based on the *Canada Grain Act* provision called *Subject to inspector's grade and dockage*. If a producer and a primary elevator operator disagree on grade or dockage, both parties have the right to a binding decision from the CGC. The elevator must then pay the producer according to this decision. *Subject to inspector's grade and dockage* is a long-standing right of producers.

To meet the current needs of the industry as a whole, we implemented a protein arbitration process and new grading schedules.

Protein arbitration

Wheat with a higher protein content commands a market premium because of its superior milling performance. Elevator managers test producers' deliveries of wheat to determine protein content and set the price paid to each producer according to grade and protein level. Accurate protein test results are important to ensure that producers are paid fairly for the quality of the wheat they deliver. Over the years, many producers have raised concerns about the accuracy of protein testing after finding significant discrepancies between the test results obtained at different primary elevators. In response to these concerns, the CGC introduced protein arbitration on August 1, 2000.

The service provides a practical means for primary elevator managers and producers to get an independent decision on protein level when there is a disagreement over protein content. When an elevator manager and a producer disagree on the protein level of a delivery, they can submit a sample to the CGC for a binding decision. Since the introduction of protein arbitration, we have received 52 samples for testing. This relatively low level of demand is not indicative of the value of this service. Instead, its value lies in its availability. The fact that producers have the right to a binding protein assessment by the CGC helps to ensure that they are given a fair protein assessment at the primary elevator.

Grade schedules

The CGC's grade arbitration system is based on the CGC's Official Grain Grading Guide. The Western and Eastern Standards committees, made up of producer and industry representatives, as well as the CGC's technical experts, are responsible for reviewing and recommending grade standards. Grade schedules are set annually to keep up with the technical and market changes in the grain industry.

For example, last year the Western Standards Committee relaxed the tolerances for mechanical damage (including splits) in Desi chickpeas so that the grading factors better reflect what occurs during the product handling process.

Planned result: Fair, enforceable and uniformly applied regulations

To ensure that CGC regulations are fair, enforceable and uniformly applied, proposed policy and regulation changes undergo rigorous scrutiny. CGC policy and regulatory reviews consist of the following steps:

- The preparation of a discussion document outlining various options for the elements of a proposed change
- Stakeholder consultations
- Internal evaluation of feed back and decision
- Relevant stakeholders are advised of change
- Regulatory changes are made, if needed

The CGC responded to stakeholder concerns and reviewed many of its policies. The following examples represent work in this area.

Grain on the ground

Industry stakeholders told us that prohibiting elevators to store grain on the ground limited producers' ability to market their grain. The CGC also discovered that several primary elevators were storing grain on the ground without seeking permission. In response, we studied the issue, consulted stakeholders and decided to allow primary elevators the opportunity to store grain on the ground, provided they notify us. This policy provides the grain handling industry with greater flexibility and producers with more delivery options while maintaining the CGC's ability to ensure the quality reputation of Canadian grain.

Review of maximum shrinkage allowances at primary elevators

In response to requests and recommendations from producers and the industry, the CGC carried out this review, with the objective of ensuring fair and consistent shrinkage deduction practices across Canada. Accordingly, we provided ways for producers and stakeholders to give feedback through an on-line discussion forum, by providing written submissions, or by requesting face to face meetings. Once all feedback was considered, the CGC prepared a discussion document summarizing the opinions of producers and the industry and presenting three options. The paper was distributed to stakeholders

requesting comments by October 2001. Subsequently, the CGC will determine its course of action. A regulatory change, if required, will be implemented.

3. The protection of producers' rights

Number of full-time employees employed: 10

Planned resources compared to resources used	
	$ Amount
Planned resources	$649,000
Resources used:	
Revolving Fund	$217,259
Special Appropriation	$452,022
Total	$662,281

Planned result: The protection of producers from grain company defaults

The CGC makes ongoing efforts to license grain companies. All grain company licensees must post security to cover their liabilities to producers. This requirement ensures that producers are financially protected in the event of a grain company bankruptcy or a failure to pay. In 2000–01, no compensation was issued to producers due to grain company defaults.

Despite this, it is estimated that 125–200 companies buy grain—mostly special crops—without a CGC licence. Producers selling grain to these unlicensed companies are not protected from grain company defaults. To ensure producers were aware of this situation, the CGC launched a major information campaign.

We placed ads in regional agricultural newspapers and in approximately 80 weekly newspapers in Manitoba, Saskatchewan and Alberta from early December 2000 to mid February 2001. The campaign was designed to promote the benefits of dealing with CGC licensees and explain the risks involved when dealing with unlicensed companies. This message was communicated through producer publications, producer meetings, and the CGC web site.

It is difficult to gauge the success of this information campaign. CGC research suggests that 90 percent of Canadian grain producers prefer to deal with CGC licensees rather than non-licensed grain companies. While this finding cannot be solely attributed to the CGC advertising campaign, it does suggest that the CGC is playing an important role in protecting Canadian grain producers.

Planned result: Fair treatment of producers by grain companies and dealers

Making sure producers receive fair treatment is an important part of the CGC's regulatory function. The CGC has a number of safeguards in place to ensure that producers are treated fairly in their grain transactions. These safeguards include assistant

commissioners acting as liaisons between grain producers and the local industry, a 1-800 producer information line, and a grade arbitration system.

Assistant commissioners

During the 2000–01 fiscal year, the CGC had five assistant commissioners representing the provinces of Alberta, Saskatchewan, Manitoba, Ontario and Quebec.

The assistant commissioners in eastern Canada serve as a liaison between the CGC and the eastern grain industry to promote the CGC's role and services to the industry. Assistant commissioners in western Canada are responsible for dealing with producer complaints and inquiries and for publicizing the activities of the CGC at the farm level. In total, the assistant commissioners in western Canada responded to 719 producer complaints concerning failure to pay or late payment, grade and dockage disputes, producer cars, and fee charges.

1-800 Producer Information Line

Producers have an additional opportunity to voice concerns through the CGC's toll-free Producer Information Line. This telephone service operates with the following service standard:

> All complainants are to be notified that their complaints have been received and are being looked at, by the end of the next working day after the call is received.

The following table shows the total number of complaints and information requests that the Producer Information Line handled during the last three fiscal years.

Number of calls to Producer Information Line, by category, from fiscal years 1998–99 to 2000–01

	Total number of complaints	Total number of information requests
Fiscal year		
1998–99	41	476
1999–2000	30	622
2000–01	25	483

Grade arbitration system

As mentioned above, producers who disagree with an elevator operator on a grade, dockage or protein assessment have the right to a binding decision from the CGC. The elevator operator must pay the producer according to this decision. The table below illustrates the number of requests for grading arbitration that the CGC processed during the last three fiscal years.

Number of requests for arbitration services from fiscal years 1998–99 to 2000–01	
	Number of requests processed
Fiscal year	
1998–99	221
1999–2000	536
2000–01	481

While there are several mechanisms to ensure producers are treated fairly, the CGC's 2000–01 producer survey suggests that a significant number of producers are unaware of the protective services offered by the CGC. For instance, only 40 percent of those producers surveyed associated the CGC with upholding their rights. A slightly higher number of producers, 43 percent, associated the CGC with making sure producers get paid.

We are currently devising new strategies to inform producers about the protective services the CGC offers. This will be done through a promotional campaign aimed at contacting producers directly.

Planned result: Maintenance of producer delivery options

In response to producer demand, the CGC is working to ensure the availability of producer delivery options. Delivery options, such as producer cars, provide an opportunity for producers to safeguard their interests. The main saving for producers is through avoiding primary elevator tariffs—a consideration when grain and oilseed prices are low.

During the 2000–01 fiscal year, grain deliveries by producer cars were up 23 percent from the previous year. In anticipation that this may continue to increase, we have trained additional staff to deal with periods of increased producer car use.

Number of producer car applications processed, from fiscal years 1998–99 to 2000–01	
	Number of cars processed
Fiscal year	
1998–99	3,500
1999–2000	3,370
2000–01	4,145

4. Sound agency management

Number of full-time employees employed: 95

Planned resources compared to resources used	
	$ Amount
Planned resources	$9,613,000
Resources used:	
Revolving Fund	$ 243,479
Appropriation	$5,442,097
Special Appropriation	$4,064,937
Total	$9,750,513

Planned result: Efficient, cost effective services

The CGC's 1999 *Program Review* made a series of recommendations to improve the efficiency and effectiveness of its programs. As a result, the CGC has implemented a number of reforms to its programs and services. Examples of these reforms are as follows:

- Streamlining terminal elevator operations and cross-training of staff
- Adoption of a single standard for some grading factors
- Streamlining inward inspection services in Vancouver
- Improved sample collection process

During the fiscal year, the CGC met Treasury Board's Financial Information Strategy (FIS) objectives, including:

- Accounting practices that are now FIS compliant. Changes were identified and implemented within the required timeframes
- An asset management system which monitors all activities related to asset and inventory management

The 1999 Auditor General Report on cost recovery made a number of recommendations to the CGC on how to improve its management of user charges. Specifically, we needed to improve the costing of services, assess the impact of our fees, and integrate user charges into our strategic planning.

As the CGC's service fees are frozen until March 31, 2003, we were unable to implement many of the Auditor General's recommendations. However, we have made changes since the audit and have started a number of initiatives that will allow us to address elements of those recommendations within our control. Examples include:

- Developing costing methods for determining costs of new services
- Purchasing new costing software that allows for the efficient extraction and allocation of cost data of individual services

These initiatives enable the CGC to calculate the actual costs of providing services.

During the last three years, our expenditures have increased. Many of these new expenditures can be attributed to additional client services, e.g., protein arbitration, monitoring for non-registered varieties and providing increased services on the Prairies. The expansion of CGC services has been necessary in light of the changing nature of the grain industry (see Section One). The CGC is committed to keeping pace with this change in the most efficient and cost effective manner.

Planned result: A CGC workforce that is representative of the Canadian population

The results of a workforce analysis conducted in November 2000 show that the CGC has made gains in the area of employment equity. Overall, as the table below demonstrates, the CGC has met its target for Aboriginal representation. This has been done through improved recruiting and retention of Aboriginal employees. The CGC has also exceeded its overall representation targets for women and persons with disabilities.

Group representation in the CGC, as of November 2000				
	All employees	**Designated group employees**	**Expected representation**	**Difference (Actual – expected)**
Occupational group				
Women	705	227	225	2
Aboriginal peoples	705	23	20	3
Persons With disabilities	705	43	36	7
Visible minorities	705	50	94	-44

While we have achieved important results, we have not achieved the target for overall representation by visible minorities. Similarly, women are still underrepresented in certain job categories. For instance, the expected number of women in the technical category is 120. Currently women only occupy 98 technical positions. This under-representation in the technical category is primarily due to a shortage of female grain inspectors.

To combat these problems, we have commissioned an evaluation of our employment systems. This evaluation will examine the internal factors that contribute to representation problems and will suggest how to deal with them. The results of the Employment Systems Review, to be completed in May 2001, will be used as a starting point for an Employment Equity Plan. The plan will be developed by CGC bargaining units representing employees, the CGC employment equity committee, and senior management. It is expected that the Employment Equity Plan will be completed by August 2001.

CGC support for employment equity is evident in other areas. Over the last fiscal year the CGC provided time, resources and logistical support for staff involved with the National Council of Visible Minorities. The CGC was also a founding partner in the Embracing Change Initiative for all federal departments in Manitoba. This initiative currently serves as a model for other provinces working in this area.

Section 4: Concluding remarks

Our efforts to meet the changing needs of grain markets, ensure fair, open grain transactions, protect producers' rights, and develop sound agency management are evident in the following key results:

- Strategies to update and improve the quality assurance system
- Increased services in the Prairie Region
- The development and refinement of rapid tests to ensure Canadian grain shipments meet the strictest international food safety tolerances
- The development of objective and cost effective technology to assist in the grading of lentils
- The introduction of protein arbitration
- Compliance with Treasury Board's FIS objectives
- Several reforms suggested by the CGC's 1999 *Program Review* to improve efficiency and cost effectiveness
- Achieving representation targets for women, Aboriginals, and persons with disabilities

While these results suggest the CGC is working to fulfill its mandate, they do not capture our operations in their entirety. Some of our work does not produce immediate results, but they stand to provide benefits in the future. For example, during the 2000–01 fiscal year the CGC entered into partnership with the Canadian Wheat Board and other industry partners to build a pilot malting plant and brewery. In the future, this facility will demonstrate the suitability of new barley varieties for certain markets, improving the marketability of Canadian barley.

The success of the CGC also depends on the flexibility of its operations. The Canadian grain industry is a dynamic and challenging environment. For the CGC to remain effective it must respond to the immediate concerns of the industry. During the 2000–01 fiscal year, the CGC responded to the threat of StarLink ™ corn, a genetically modified variety from the United States that has not been approved for use in Canada. The CGC moved quickly to ensure that all licensed elevators receiving U.S. corn only accept it if it has been tested and certified as non-genetically modified.

In summary, this section has outlined the results achieved by the CGC and the areas it needs to improve on. The CGC will continue to work towards its strategic outcomes in a manner that will benefit the long-term interests of the Canadian grain industry.

Annex 1: CGC partnerships

CGC partnerships

Key partners	**Areas of cooperation**
Industry Partners	
Producers	Setting grain quality standards
Grain companies	Operation of the grain quality assurance system
Processors	
Canadian Wheat Board	Development and implementation of policies and regulations
Universities	
Laboratories	Sharing market information
Plant Breeders	Market development and support
Canadian International Grains Institute	Research and technology transfer
Canadian Seeds Institute	Auditing industry IP systems
Portfolio Departments and Agencies	
Agriculture and Agri-Food Canada	Sharing knowledge
Canadian Food Inspection Agency	Research
Canadian Dairy Commission	Strategic planning
Farm Credit Corporation	Meeting international tolerances for toxic contaminants in grain
National Farm Products Council	Shared quality assurance program delivery
Other government departments	
Department of Foreign Affairs and International Trade	Sharing knowledge
Statistics Canada	Facilitating international trade
Canadian International Development Agency	Publication of grain statistics
Industry Canada	Market development and support
Health Canada	Inspection and certification of terminal and transfer elevator scales
Canada Customs	
National Research Council	
Provincial Departments of Agriculture	
Foreign	
U.S. Department of Agriculture (Grain Inspection, Packers and Stockyards Administration)	Shared quality assurance program delivery
Food Science Australia	Facilitating international trade
Bread Research Institute, Australia	Research
Japanese Food Agency	Technology
Russian State Grain Inspectorate	Training and Technology
State Administration of Grain (China)	

Annex 2: Financial performance

Summary of voted Appropriations ($ in thousands)

		2000–01		
Vote	**Canadian Grain Commission**	**Planned spending**	**Total authorities**	**Actual**
35	Program expenditures	18,651	18,651	**18,651**
(S)[1]	Contributions to employee benefit plans	1,629	1,629	**1,629**
(S)	Revolving Fund	(252)	(252)	**(252)**
	SCRIP transfer	0	0	**27**
	Transfer to Winnipeg Commodity Exchange	0	0	**(94)**
	Total department	**20,028**	**20,028**	**19,961**

[1] Statutory

The summary of voted Appropriations represents the amount of funding received by the CGC through the approved votes. It compares the planned amount, the funding approved, i.e., total authorities, and what the CGC actually spent after all adjustments, i.e., actual.

Comparison of total planned spending to actual spending ($ in thousands)			
	2000–01		
Canadian Grain Commission	**Planned spending**	**Total authorities**	**Actual**
Full-time equivalents, i.e., number of employees	715	715	710
Operating	77,328	77,328	58,744
Total gross expenditures	**77,328**	**77,328**	**58,744**
Less: Respendable revenues	57,300	57,300	43,122
Total net expenditures	**20,028**	**20,028**	**15,622**
Other revenues and expenditures			
Cost of services provided by other departments	2,300	2,300	2,747
Net cost of the program	**22,328**	**22,328**	**18,369**

This table represents the total Revolving Fund and Appropriations and planned revenue and expenses compared to the total dollars actually spent by the CGC.

Historical comparison of total planned spending to actual spending ($ in thousands)

			2000–01		
Canadian Grain Commission	**Actual 1998–99**	**Actual 1999–00**	**Planned spending**	**Total authorities**	**Actual**
	53,642	56,324	64,755	65,007	**58,744**
Total	**53,642**	**56,324**	**64,755**	**65,007**	**58,744**

This historical comparison of planned departmental spending versus actual spending is a reflection of the total Revolving Fund and Appropriations compared to the total actually spent by the CGC. It provides some comparative information for the two previous years. Gross expenditures have increased at a rate of 4–5 percent annually over the last two years. The actual net expenditure is significantly lower than the planned amount.

Respendable revenues ($ in thousands)

			2000–01		
Canadian Grain Commission	**Actual 1998–99**	**Actual 1999–00**	**Planned revenues**	**Total authorities**	**Actual**
Inspection, weighing, registration and cancellation	34,968	40,432	40,187	43,828	**41,903**
Licenses and other revenue	1,128	1,181	4,792	1,152	**1,219**
Total respendable revenues	**36,096**	**41,613**	**44,979**	**44,980**	**43,122**

Respendable revenues represent funds generated through fees and contracts for services rendered by the CGC. These revenues are spent to cover a portion of the cost of providing these services. In addition, the table provides some comparative information for the two previous years. The data indicates that while revenue increased by 15 percent from 1998–99 to 1999–2000, there was only a 4 percent increase in the 2000–01 fiscal year.

Revolving Fund financial summaries ($ in thousands)

			2000–01		
Canadian Grain Commission	**Actual 1998–99**	**Actual 1999–00**	**Planned spending**	**Total authorities**	**Actual**
Revenues	42,493	68,032	65,007	75,699	**63,083**
Expenses	53,642	56,324	64,755	65,007	**58,744**
Profit (or Loss)	**(11,149)**	**11,708**	**252**	**10,692**	**4,339**
Add items not requiring use of funds:					
Depreciation/ Amortization	1,496	1,095	1,141	1,141	**1,234**
Other	412	570	0	0	**754**
Change in working capital	6,564	(11,406)	702	(8,041)	**4,280**
Investing activities:					
Acquisition of depreciable assets	(674)	(1,513)	(4,000)	(3,540)	**(2,818)**
Cash surplus (requirement)	**(3,351)**	**454**	**(1,905)**	**252**	**7,789**
Authority: cumulative surplus (drawdown)	**13,717**	**14,171**	**11,484**	**12,252**	**21,960**

This table represents the conversion of financial statement information from book value to a cash basis. The cumulative surplus (drawdown) is made up of the cumulative net surplus (drawdown) plus a $12-million line of credit. This line of credit is set aside for expected cashflow shortfalls during the business cycle.