



## I.D.E.A. Industry Update - May 31, 2002

### **Statistics Canada Report on Net farm Income in 2001**

Net cash income - the difference between a farmer's cash receipts and operating expenses - reached \$8.8 billion in 2001. Despite sharply higher costs of inputs such as feed and fertilizer, this increase was mainly due to a booming livestock sector and marginal growth in crop receipts as farmers substantially reduce their grain and oilseed stocks.

Farmers' net cash income rose 29.8% from 2000, as both cash receipts and operating expenses hit record highs. Net cash income increased for the second straight year, rebounding from annual declines during the late 1990s. However, farmers drew heavily on their crop inventories to support sales in 2001 as grain and oilseed production was substantially reduced due to adverse weather conditions. As a result, year-end stocks of these crops were at levels not seen since 1989.

Cash receipts rose 9.7% to \$36.2 billion in 2001 - with increased receipts from the livestock sector being responsible for more than half the rise. Higher program payments - resulting from poor growing conditions and increased payments from various income disaster programs - accounted for almost 30% of the gain.

Operating expenses rose 4.4% to \$27.4 billion. Aside from higher fertilizer and feed costs, hikes in natural gas prices led to a jump in heating fuel expenses. Most provinces also saw increases in livestock purchases. Net cash income can vary widely from one farm to another because of factors such as commodities produced, prices and weather. This is especially true for crop producers, who have been hit hard by low prices, as well as by drought or extremely wet conditions in many areas.

Provincially, net cash income rose in all provinces except Nova Scotia, where lower fruit receipts contributed to a 4.6% decline. Some provinces that reported declines in net cash income in 2000 recorded large percentage increases in 2001. For example, in New Brunswick, a 49.4% increase came on the heels of a 32.2% decline in 2000. Similar situations occurred in Newfoundland and Labrador, Prince Edward Island and Saskatchewan.

### **Statistics Canada Report on Cash Receipts for 2001**

Farmers received \$36.2 billion from agricultural commodities and program payments in 2001 - up 9.7% from 2000 and 18.6% higher than the average for the previous five years (1996 to 2000). Farm cash receipts rose in every province, with Manitoba (+16.2%) posting the largest gain.

Estimates of cash receipts reflect to a certain extent the impact of adverse weather during the 2001 growing season. However, the impact of crop production in 2001 on marketing will

continue to be felt in the first six months of 2002.

For livestock producers, cash receipts rose in 2001 for the third straight year to a record \$18.9 billion - driven by higher revenues from cattle and hogs. This level was 10.7% higher than 2000 and 25.4% above the previous five-year average (1996 to 2000).

Cash receipts from crops advanced a marginal 3.3% to \$13.6 billion - the first increase in four years. However, crop receipts remained 1.2% below the previous five-year average.

Cattle and calf receipts reached \$7.8 billion in 2001, up 14.5% from the record level of 2000. Higher sales abroad along with strong prices helped push receipts 35.7% above the previous five-year average.

Hog receipts (\$3.9 billion) were up for the third straight year and were 38.3% above the previous five-year average. Most of the 13.7% increase in 2001 was due to revenue generated from domestic hog slaughter where both prices and marketings continued to rise. Aiding the overall increase was a 24.1% jump in receipts from hogs exports, mostly to the United States.

There were also gains in receipts from the supply-managed sectors. Higher chicken prices and marketings pushed revenues to \$1.5 billion, up 10.7% from 2000 and well above the previous five-year average. In the dairy sector, revenues from milk and cream grew 2.8%, thanks to higher prices.

Crop receipts remained below the previous five-year average as lower deliveries for some major grains and oilseeds during the last half of 2001 offset higher prices. Farm stocks of major grains and oilseeds dwindled to very low levels by the end of 2001. They were 17.1% below the previous 10-year average, due primarily to the drought last summer. Receipts for wheat excluding durum climbed to \$2.7 billion in 2001. However, revenues remained 6.4% below the previous five-year average, even though prices rose 13.6% and Canadian Wheat Board (CWB) payments increased 18.1%. Durum wheat receipts increased 22.8% largely because of higher CWB payments. Marketings were down for both durum and non-durum wheat. Canola receipts grew 10.1% to \$1.7 billion, ending two years of declines but still short of the previous five-year average of \$2.0 billion. Marketings were down 7.5% from 2000 despite sales to China that contributed greatly to the rise in deliveries for the first half of the year. However, deliveries fell in the last two quarters as production hit its lowest point in 10 years. Barley receipts reached \$729 million, up 25.2% over 2000 and slightly above the previous five-year average. Tight supplies of feed barley in the western provinces helped drive up prices.

Farmers deferred \$863 million in crop receipts to 2002, up 47.4% from 2000 and 4.7% over the previous five-year average. A combination of higher prices for grains and oilseeds in 2001 and lower stocks at the end of that year may have caused producers to defer a larger portion of their crop receipts to 2002 in anticipation of reduced returns in the coming months.

Farmers received \$3.8 billion in program payments in 2001, up \$925 million from 2000. Most of this increase was the result of higher payments in crop insurance and income disaster programs. In addition, Ontario producers received \$190 million from one-time program payments designed to compensate them for income losses in 2000 because of inclement weather and severely depressed crop prices. Crop insurance payments jumped 71.1% to \$1.0 billion - in response to poor growing conditions in 2000 and 2001 and an increase in the acreage of crops insured. Payments for income disaster programs reached \$627 million, up 48.4% from 2000. These include the Agricultural Income Disaster Assistance program, Canadian Farm Income Program and related provincial disaster programs.

Rising livestock expenses and fertilizer prices contributed to a 4.4% hike in total operating expenses in 2001 to \$27.4 billion. During the previous five years (1996 to 2000), operating expenses had gone up 18.2%. Prices of feed grains rebounded from recent lows, putting upward pressure on commercial feed prices. This - together with buoyant markets for beef at home and in the United States, the continued expansion of the hog sector in the Prairies, and the strong demand for chicken products - translated into a 12.6% rise in commercial feed expenses. The increased activity in the livestock sector also led to a 6.2% hike in livestock purchases and a 5.3% climb in expenses for artificial insemination and veterinary services. A sharp rise in prices resulted in a 14.7 % increase in fertilizer expenses. Higher fertilizer prices were in part due to large price increases in natural gas, a major input to its production. Higher natural gas prices also contributed to a 23.4% increase in heating fuel expenses. Machinery fuel prices stabilized in 2001 after increasing by more than 20% in 2000. However, machinery fuel expenses incurred by agricultural producers were still 12% higher than the previous five-year average.

Total net farm income measures agriculture economic production by adjusting net cash income for value of inventory change, depreciation and income in kind. Total net farm income rose 31.8% in 2001 with the increase in net cash income more than offsetting a large decline in the total value of inventory. Despite showing the largest increase since 1993, the level of \$3.7 billion posted in 2001 was nevertheless 17.8% below its 1996 record. The poor growing conditions in many parts of the Prairies and the rest of Canada contributed to very low levels of farm crop inventories by the end of 2001. Lower stocks of all major grains and oilseeds, except for corn, reduced the value of on-farm crop inventories by \$1.3 billion. Adverse weather in many areas of the Prairies reduced crop yields and forced farmers to use grain as feed earlier than usual as good pastureland quickly became scarce.

The impact of lower farmer-owned inventories was especially notable in Prince Edward Island and Saskatchewan, where total farm income fell despite strong increases in net cash income. In Prince Edward Island, a 39.0% decrease in potato production in 2001 contributed to a steep drop in the value of inventories. In Saskatchewan, the decline in farm inventories resulted in a 43.7% drop in total farm income. The 2001 level was 57.4% below the previous five-year average.

For detailed census information, look online at: [www.statcan.ca/english/agcensus2001/index.htm](http://www.statcan.ca/english/agcensus2001/index.htm)