



Overview of the Canadian Agriculture and Agri-Food Sector

The Government of Canada and the provincial and territorial governments are developing a new direction for Canada's agricultural policy. The objective is to create a stronger and more commercially successful sector by being the world leader in food safety, innovation and environmentally-responsible production.

This brief graphical overview provides background information about Canada's agriculture and agri-food system and its key sectors.

Agri-food is a major part of the Canadian economy

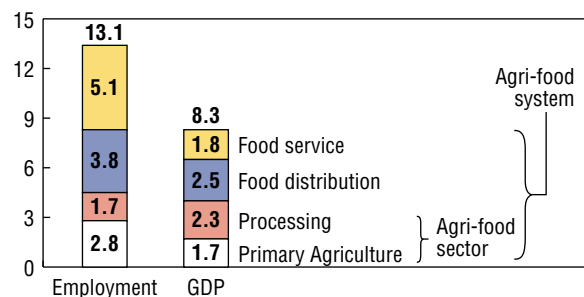
The agri-food system is an integrated complex production chain which ranges from the primary agriculture sector to the food and beverage services sector.

It is a key driver of the Canadian economy, providing one in seven jobs across the country.

The agri-food sector accounted for 8.3 per cent of the total Canadian Gross Domestic Product (GDP) in 2000.

Agri-Food's Contribution to the Canadian Economy

% Share



Note: GDP for 2000, Employment 1999.
Source: Statistics Canada, with AAFC Estimates.

Value-added production is driving growth in the agri-food system

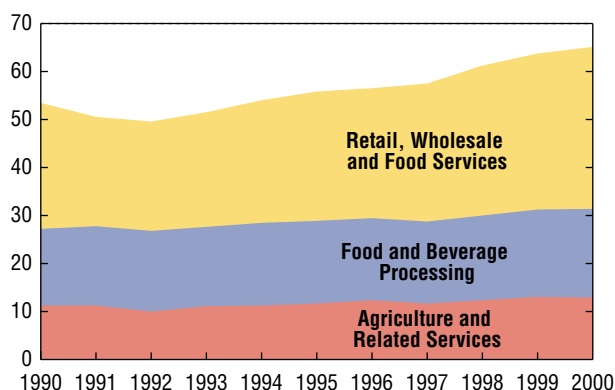
The growth in the agri-food system over the 1990s has been primarily driven by value-added production.

The retail, wholesale and food services sectors are the fastest growing component of the system.

The overall system is growing in size at a pace slightly less than that of the economy but its share of GDP has been relatively stable.

Agri-Food System GDP by Sector

Billions of \$



Source: Statistics Canada, Special Surveys Division.

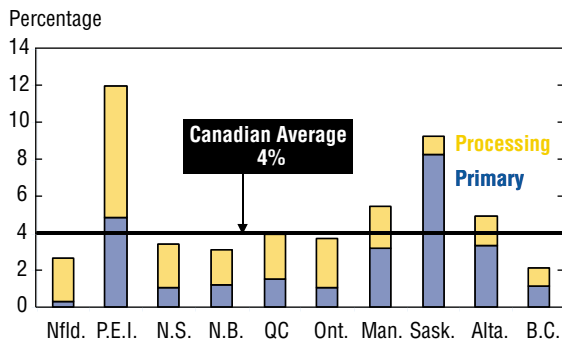
The importance of the agri-food sector varies across the country

The size of the agri-food sector (primary and processing) varies across Canada, with the relative size of the sector in Prince Edward Island and Saskatchewan more than double the national average.

The mix between primary and processing also varies. East of Manitoba, the processing sector accounts for the majority of the agri-food sector's share of provincial GDP. In contrast, in the Prairies, the primary sector plays a more important role.

Food processing is the largest manufacturing sector in seven provinces (it represents the second largest manufacturing sector in Ontario and the third largest in British Columbia and New Brunswick). It accounts for 10 per cent of the share of total manufacturing shipments in Canada.

Agri-Food Sector Share of Total Provincial GDP, 1999



Source: Conference Board of Canada.

Consumer-oriented products are driving export growth

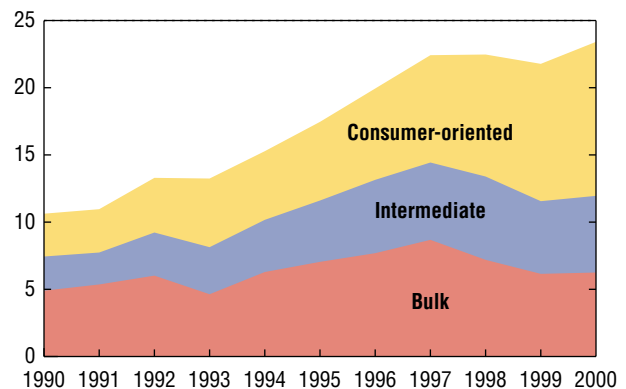
The agriculture and agri-food sector is export-oriented—in 1999, 47 per cent of total primary production was exported directly or indirectly, in the form of processed goods. The sector contributes \$5–\$7 billion to Canada's trade balance annually, accounting for 10 per cent of the total Canadian trade surplus in 2000.

Agri-food exports have doubled over the past decade and value-added goods accounted for two-thirds of this increase. Today, one-half of all exports are consumer-oriented.

In 1999, Canada was the world's third largest exporter of agri-food products, after the US and EU, accounting for 3.5 per cent of world exports.

Agri-Food Exports

Billions of \$



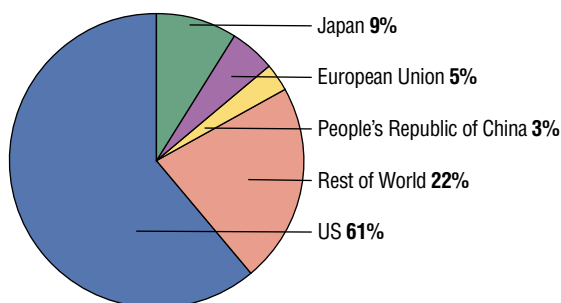
Source: Statistics Canada, International Merchandise Trade Database and Industry Canada, Strategis Trade Database.

And a large percentage of exports are going to the US

Canada's exports to the US increased dramatically in recent years and accounted for over 60 per cent of Canada's agri-food exports in 2000. The US is particularly important for consumer-oriented and intermediate exports, as 76 per cent of these exports are destined for the US market.

Nevertheless, the agri-food sector is less dependent on the US market than the economy as a whole (87 per cent of total Canadian exports are destined for the US).

Destination of Canadian Agri-Food Exports, 2000



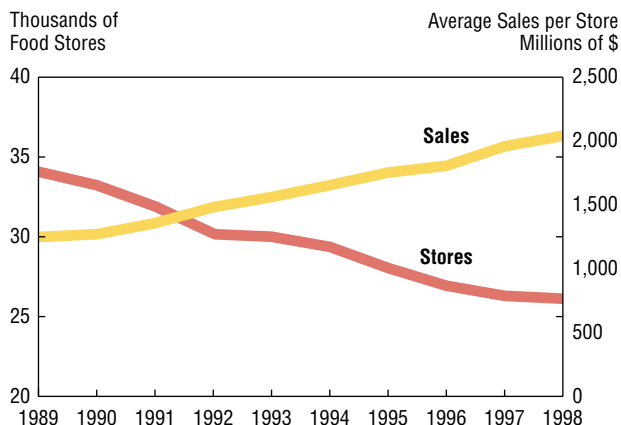
Source: Statistics Canada, Merchandise Trade Database.

Consolidation is happening across the entire agri-food system

There is a general trend toward an increasing scale of operation across the agri-food system. Food stores in Canada are consolidating and average sales per store are increasing over time.

While establishments are getting larger on average, the number of small specialized enterprises which focus on meeting niche markets has also increased.

Number of Food Stores* and Average Sales

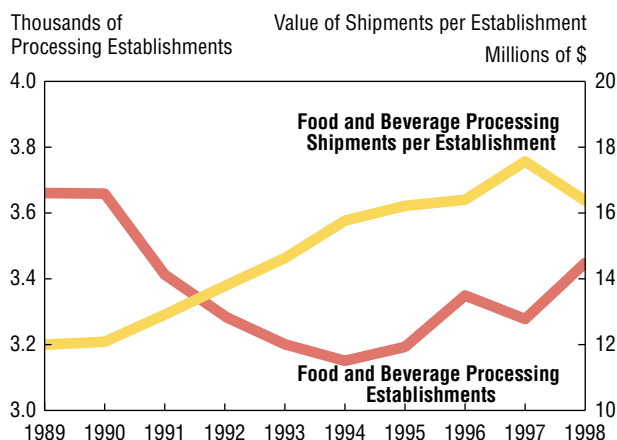


* Food Stores not included are department stores and specialty stores.
Source: Canadian Grocer.

In the food and beverage processing sector, the trend toward consolidation has slowed in recent years, as the number of establishments has increased.

The sector's average rate of return on long-term capital in the 1990s was 11.5 per cent. This is higher than the 7.3 per cent for the rest of the economy.

Number of Food and Beverage Processing Establishments and Value of Shipments

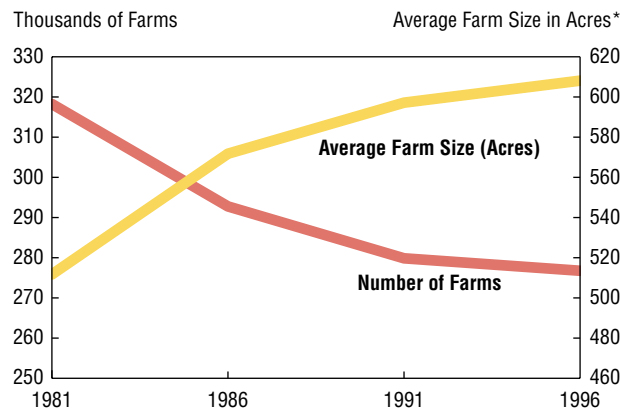


Source: Statistics Canada, CANSIM Matrix 5379 & 5401, Annual Survey of Manufacturers.

The trend toward consolidation is also occurring at the primary level

Advances in technology and farming practices have contributed to a consolidation of farms. Over time, there has been a trend towards significantly larger farms. Yet, 98 per cent of all farms are still family operations.

Evolution of Primary Agriculture in Canada

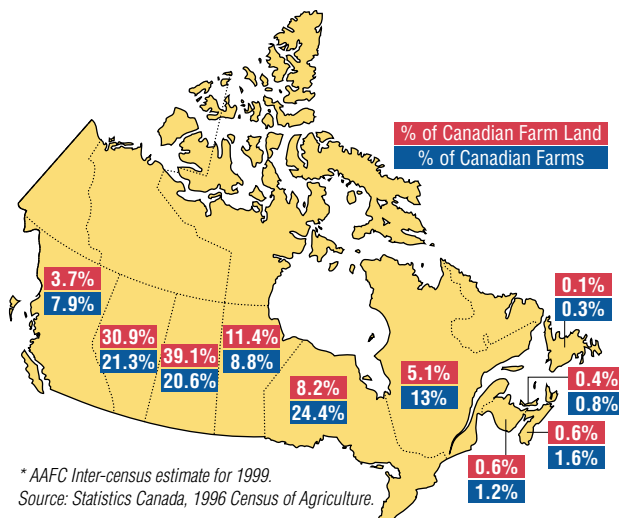


* 1 acre = 0.4047 hectares.
Source: Statistics Canada, Historical Overview of Canadian Agriculture, Census of Agriculture 1996.

There are 168 million acres of farmland in use across Canada: 61 per cent for cultivated land, 29 per cent for pasture land and 10 per cent for other uses. For cultivated land, there are variations in productivity across the country depending on soils and climate.

Farming in Canada

168 million acres in production across 270,000 farms*



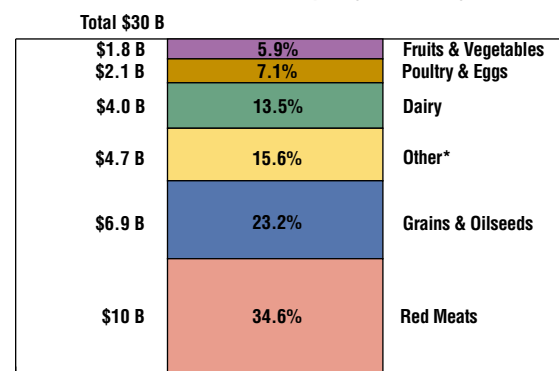
* AAFC Inter-census estimate for 1999.
Source: Statistics Canada, 1996 Census of Agriculture.

Saskatchewan has the highest percentage of cultivated land and British Columbia has the highest percentage of pasture land.

Canada has a diverse primary agriculture sector

Red meats, grains and oilseeds, dairy, and poultry and eggs are the most important commodities in terms of their contribution to farm market receipts – \$23.0 billion (78.4 per cent).

Total Canadian Farm Market Receipts by Commodity, 2000

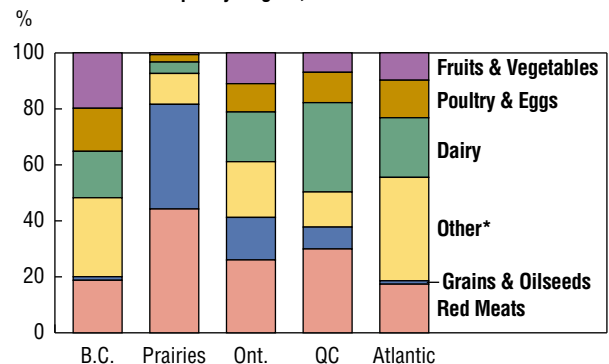


* Other includes mostly flora and nursery in B.C. and potatoes in Atlantic Canada.
Source: Statistics Canada, Agriculture Economics Statistics.

Production varies across Canada

The commodity mix varies across Canada. In British Columbia, farm cash receipts are balanced across a range of commodities, but the most important are fruits and vegetables, and flora and nursery products.

Farm Market Receipts by Region, 2000



* Other includes mostly flora and nursery in B.C. and potatoes in Atlantic Canada.
Source: Statistics Canada, Agriculture Economics Statistics.

In the Prairies, red meats, and grains and oilseeds account for 82 per cent of farm cash receipts.

Ontario has a diversified sector, with the largest contributor to market receipts being red meats.

In Quebec, red meats and dairy dominate market receipts.

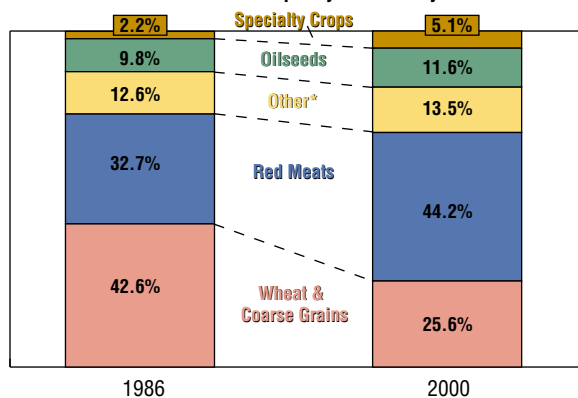
In Atlantic Canada, all major commodities, except grains and oilseeds, contribute significantly to farm market receipts.

Farmers are diversifying – particularly in the Prairies

Farmers have been continuously adjusting to changes in business conditions. This trend has been clearly evident in the Prairies where there has been significant diversification in production as a result of continuously declining grain prices and domestic policy reforms, such as the *Western Grain Transportation Act*.

As a result, the share of grains in market receipts declined significantly to 25.6 per cent in 2000 from 42.6 per cent in 1986. Over the same period, the income share of red meats and specialty crops increased significantly.

Evolution of Farm Market Receipts by Commodity – Prairie Provinces

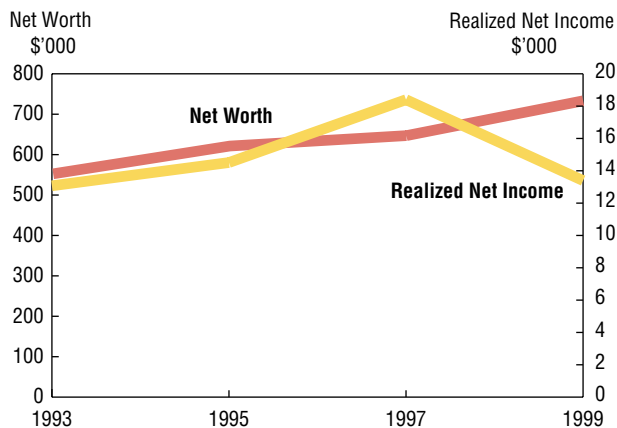


* Other includes mostly dairy, poultry and eggs, potatoes and pulses.
Source: Statistics Canada, Agriculture Economics Statistics.

On average, farm finances are stable

For the average farm, realized net income fluctuated over the 1990s, although program payments helped to minimize these variations. During the same period, producers' average net worth has remained relatively stable.

Average Farm Balances



Note: Realized Net Income per farm was calculated using aggregate Realized Net Income from Agricultural Financial Statistics, Statistics Canada divided by number of farms as reported by the Farm Financial Survey.

Source: Statistics Canada, Farm Financial Survey, 1998 and 2000 and Agriculture Economic Statistics.

Farms are diverse in the scale of operations

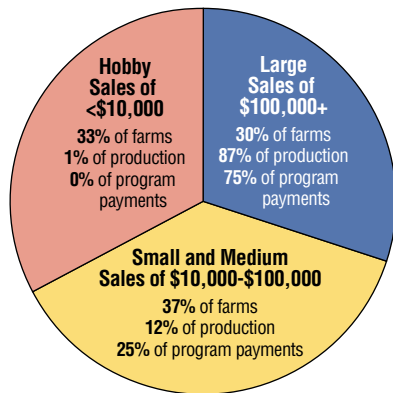
Farm operations vary based on many factors: one is the scale of operations.

While only one third of farms are large with sales over \$100,000, these farms account for 87 per cent of farm production and receive 75 per cent of agricultural program payments.

Small and medium farms account for another one-third of all farms in Canada, but account for only 12 per cent of production and receive 25 per cent of program payments.

Hobby farms represent the remaining one-third of farms. Hobby farming is a lifestyle choice and makes no significant contribution to family income.

Distribution of Canada's 270,000 Farms by Sales



Source: Statistics Canada, Whole Farm Database, AAFC estimates for 1999.

Off-farm income is significant for most farm families

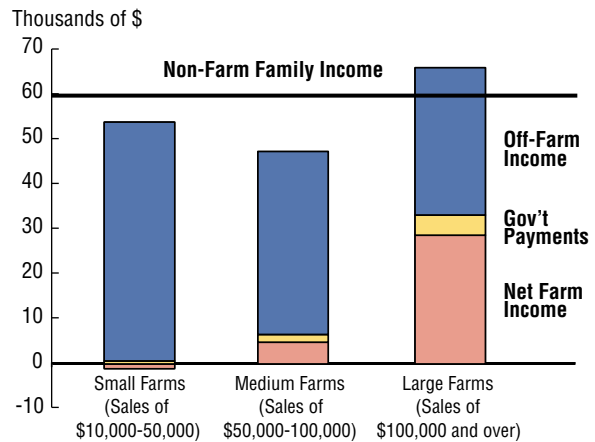
For most farm families, a significant part of family income comes from off-farm sources.

Even farms with sales of \$100,000 and over earn about one-half of their family income off the farm (e.g. earnings from off-farm employment).

Small and medium farms do not have the scale of operations for farm income to contribute significantly to total family income. For these farmers, off-farm income is even more important in determining their standard of living, accounting for almost all of their family income.

When all income sources are taken into account, families on small and medium farms have income slightly below the average of non-farm families. Families on large farms have incomes above the average.

Family Income, 1998



Source: Statistics Canada, Whole Farm Database and Small Area Administration Data.

Bibliography

- Canadian Grocer. February 2001.
- Conference Board of Canada. Provincial GDP.
- FAOStat, Agriculture Data. Agriculture and Food Trade, Food and Agriculture Organization of the United Nations.
- Industry Canada, Strategis Trade Database, Agri-Food Exports.
- Statistics Canada. *Agriculture Economics Statistics*, Cat. No. 21-603-XPE.
- Statistics Canada. Agri-Food System GDP, CANSIM Matrix 4677.
- Statistics Canada. *Annual Survey of Manufacturers*, CANSIM Matrices 5379 & 5401.
- Statistics Canada. *Farm Financial Survey, 1998 and 2000*, Cat. No. 21-Foo8-XIB.
- Statistics Canada. *Historical Overview of Canadian Agriculture, Census of Agriculture 1996*.
- Statistics Canada. International Merchandise Trade Database.
- Statistics Canada. *Labour Force Survey*.
- Statistics Canada. Small Area Administrative Data.
- Statistics Canada. Whole Farm Database.