

# Agroflash

September 27, 2004

ÉCONOMIE

## 2003 in a Nutshell

- Increase in portion of program payments in total receipts
- Major increase in oil and protein seed crops
- Strong growth in dairy sector
- Bad year for cattle and calf production

### Headlines

Sharp increase in hog and corn receipts and a market drop in cattle receipts

In the first semester of 2004, total farm receipts (farm sales and program payments) of Québec farmers totalled \$3,096.4 million, up \$215.1 million (7.5%) from the same period of 2003. A gain of 6.3% was recorded throughout Canada.

Total expenses after rebates increased 5.9%, going from \$2,792.0 million to \$2,957.5 million, in the first semester of 2004.

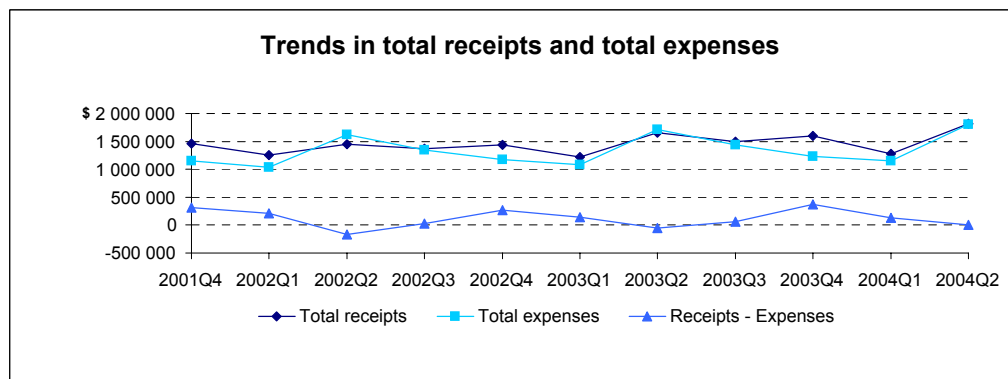
The increase in receipts was primarily due to program payments in a proportion of almost 63% (\$134.6 million). Crop production comprised about one quarter of the increase (\$53.1 million) and livestock production around 13% (\$27.3 million).

Farmers received \$489.9 million in program receipts over the first semester of 2004, up 37.9% from the previous semester. This increase was largely attributable to the government assistance provided mainly with a view to countering the negative effects of the closing of the US border to exports of Canadian cattle.

Receipts for corn and for oil and protein seed crops were up \$50.5 million and \$8.6 million respectively from the first semester of 2003. The rise in corn deliveries and the strengthening of the price of soya accounted for most of these changes. In contrast, there were drops in grains other than corn (-\$7.1 million), potatoes (-\$4.6 million), and fruit (-\$4.2 million).

An increase in the volume of hog deliveries (3.3%), combined with a rise in prices (18.3%), enabled the hog sector to post an increase of \$105 million from the first semester of 2003. This sector terminated the period from January to June 2004 with receipts of \$579.3 million. Dairy receipts, although more modest, recorded an increase of \$17.8 million. This gain was mostly due to the increase in volume of deliveries to dairy plants (2.3%).

The cattle and calf sector continued to be heavily affected by the diagnosis of a single cow with bovine spongiform encephalopathy (BSE) in May 2003. Cattle receipts tumbled \$87.3 million in the first semester due to a drop in prices of nearly 65%, compared with the first six months of 2003. Over the same period, the calf sector posted a drop in prices (-14%) and in receipts (-15.6%).



In annual terms, the net cash income of Québec farmers in 2003 rose 23% in Québec. Only three provinces recorded gains in 2003: Newfoundland and Labrador, Québec and British Columbia.

Total net income (including income-in-kind and the value of inventory changes) has risen sharply since 2002 (+ \$286 million) but remains lower than the results of 2001 (-\$165.3 million). The value of inventory changes, which rose sharply in 2003, comprised 18.4% of the total net income.

The portion of program payments in the total receipts of Québec farm operators has been on an upward trend over the past four years, going from 10% in 2000 to 10.8% in 2001, then from 8.5% in 2002 to 14.4% in 2003. Without this contribution, the receipts would have increased by only 1.5% between 2002 and 2003.

Farm operating expenses in 2003 were up 5.6% from 2002. Expenses in commercial seed (+8.9%), business insurance (+8%), machinery fuel (+7.9%) rose the most.

For the year ending December 31, 2003, the operating margin (ratio between net balance of income and operating expenses before depreciation and total income) for all Québec farms climbed 18.7 cents per dollar of income, versus 16.5 cents the previous year, i.e. an increase of 13.5%.

The percentage share of crop receipts, livestock receipts, and subsidies has remained fairly stable over the past five years, with a 6% increase, however, in the case of programs and subsidies between 2002 and 2003, bringing the contribution of each sector down to the 1999 level.

#### Net farm income in Québec by sector and quarter - 2003 and 2004

Sector	2003					2004		
	Q1	Q2	Q1+Q2	Q3	Q4	Q1	Q2	Q1+Q2
	M\$							
<b>Total receipts<sup>1</sup></b>	<b>1 222,3</b>	<b>1 659,0</b>	<b>2 881,3</b>	<b>1 497,5</b>	<b>1 602,3</b>	<b>1 280,2</b>	<b>1 816,2</b>	<b>3 096,4</b>
Livestock production	951,3	954,7	1 906,0	865,8	892,1	928,9	1 004,4	1 933,3
Cattle	78,0	66,3	144,3	19,4	34,9	24,8	32,2	57,0
Calves	59,2	49,4	108,6	31,9	52,1	43,8	47,9	91,7
Hogs	240,3	234,0	474,3	238,3	220,8	269,7	309,6	579,3
Hens and chicken	103,5	108,2	211,7	105,4	104,3	110,7	110,0	220,7
Other animals	19,7	21,1	40,8	21,5	22,7	21,3	22,6	43,8
Dairy products	412,4	441,8	854,1	414,5	422,8	423,5	448,4	871,9
Eggs	25,5	25,0	50,4	26,0	25,5	24,5	24,8	49,3
Honey	1,3	1,0	2,4	1,5	1,3	0,8	0,6	1,5
Other products of animal origin	11,3	8,0	19,3	7,3	7,6	9,8	8,3	18,1
Crop production	224,9	395,2	620,1	385,8	447,9	241,4	431,9	673,2
Grains other than corn	17,5	11,9	29,4	18,1	14,0	10,7	11,6	22,3
Corn	81,7	60,3	141,9	63,5	104,6	101,0	91,5	192,5
Flowers and nurseries	33,6	92,1	125,7	48,0	101,4	35,3	96,9	132,3
Maple products	6,7	127,8	134,5	-	-	6,7	127,8	134,6
Vegetables	24,9	37,2	62,1	169,6	53,0	26,8	39,8	66,6
Potatoes	19,2	24,2	43,4	21,8	25,1	19,2	19,5	38,8
Fruits	10,0	10,4	20,4	46,9	27,5	8,4	7,8	16,2
Oil and protein seed crops	18,0	15,8	33,8	11,9	85,5	20,3	22,1	42,4
Other crops	13,3	15,5	28,8	5,9	36,8	12,8	14,8	27,6
Programs <sup>2</sup>	46,2	309,0	355,2	245,9	262,3	109,9	380,0	489,9
<b>Total expenses after rebates<sup>1</sup></b>	<b>1 083,2</b>	<b>1 708,8</b>	<b>2 792,0</b>	<b>1 439,1</b>	<b>1 236,0</b>	<b>1 150,0</b>	<b>1 807,5</b>	<b>2 957,5</b>
<b>Total receipts - total expenses after rebates</b>	<b>139,1</b>	<b>-49,8</b>	<b>89,3</b>	<b>58,4</b>	<b>366,3</b>	<b>130,1</b>	<b>8,7</b>	<b>138,9</b>

1. Cash basis of accounting. The data of the first semester of 2004 are estimated and not seasonally adjusted. The rebates correspond to refunds of expenses; for example, taxes and interest.

2. Includes NISA payments, crop insurance payments, income disaster program payments, provincial stabilization payments, dairy subsidies and other payments.

Sources: Statistics Canada.

Institut de la statistique du Québec.

**Net farm income by sector - 1999 to 2003**

Sector	1999	2000	2001	2002	2003
	M\$				
<b>Total receipts<sup>1</sup></b>	<b>5 100,3</b>	<b>5 422,5</b>	<b>5 752,7</b>	<b>5 511,7</b>	<b>5 981,2</b>
Livestock production	3 184,0	3 624,2	3 857,2	3 635,9	3 663,9
Cattle	228,0	287,6	327,6	324,4	198,7
Calves	180,7	193,9	225,5	225,5	192,6
Hogs	725,9	996,9	1 110,1	927,0	933,4
Hens and chickens	373,9	383,7	423,7	404,6	421,4
Other animals	72,8	80,6	86,8	87,7	85,1
Dairy products	1 479,1	1 553,1	1 543,9	1 510,4	1 691,4
Eggs	82,8	87,5	98,7	115,0	102,0
Honey	5,4	4,0	4,7	6,2	5,1
Other products of animal origin	35,4	36,8	36,3	35,0	34,3
Crop production	1 263,2	1 256,8	1 271,6	1 407,8	1 453,8
Grains other than corr	32,3	32,0	51,5	62,4	61,5
Corn	265,6	246,8	223,2	306,7	310,0
Flowers and nurseries	194,8	199,4	224,4	255,8	275,1
Maple products	131,4	158,7	130,6	132,2	134,5
Vegetables	256,2	259,2	282,1	275,5	284,7
Potatoes	84,7	85,6	95,7	110,7	90,3
Fruits	106,7	95,5	97,1	88,6	94,9
Oil and protein seed crop:	107,1	98,3	95,7	101,5	131,2
Other crops	84,5	81,2	71,3	74,4	71,5
Programs <sup>2</sup>	653,1	541,5	623,9	468,0	863,5
<b>Total expenses after rebates<sup>1</sup></b>	<b>4 404,0</b>	<b>4 771,3</b>	<b>5 041,4</b>	<b>5 181,0</b>	<b>5 467,1</b>
Depreciation on machinery and buildings	502,0	542,9	571,8	579,4	607,4
<b>Operating expenses after rebates<sup>1</sup></b>	<b>3 902,1</b>	<b>4 228,4</b>	<b>4 469,6</b>	<b>4 601,6</b>	<b>4 859,7</b>
Commercial feed	951,8	967,0	1 071,5	1 167,9	1 214,6
Cash wages <sup>3</sup>	552,0	589,5	620,8	664,2	703,4
Interest	444,3	544,6	546,7	529,8	532,9
Repairs to buildings and machinery (and other machinery-related expenses)	363,6	387,3	398,9	410,9	420,6
Fertilizer and lime	195,0	193,8	213,2	215,3	228,5
Machinery fuel	121,8	156,4	162,7	154,5	166,7
Commercial seed	121,5	133,0	143,2	155,9	169,8
Artificial insemination and veterinary fees	125,8	132,7	142,0	149,5	153,7
Business insurance	124,6	129,6	133,5	143,6	155,1
Other expenses	901,8	994,3	1 037,1	1 009,9	1 114,4
<b>Net cash income</b>	<b>1 198,2</b>	<b>1 194,1</b>	<b>1 283,1</b>	<b>910,1</b>	<b>1 121,4</b>
<b>Income-in-kind</b>	<b>48,6</b>	<b>50,7</b>	<b>46,4</b>	<b>44,6</b>	<b>41,6</b>
<b>Realized net income</b>	<b>744,8</b>	<b>701,8</b>	<b>757,7</b>	<b>375,3</b>	<b>555,7</b>
<b>Value of inventory change</b>	<b>17,6</b>	<b>-67,8</b>	<b>88,5</b>	<b>19,6</b>	<b>125,3</b>
<b>Total net income</b>	<b>762,4</b>	<b>634,0</b>	<b>846,3</b>	<b>394,9</b>	<b>681,0</b>

1. Cash basis of accounting. The rebates correspond to refunds of expenses; for example, taxes and interest.

2. Includes NISA payments, crop insurance payments, income disaster program payments, provincial stabilization payments, dairy subsidies and other payments.

3. Includes room and board.

Source: Statistics Canada.

## Definitions

Farm cash receipts :	Measures the gross revenue of farm businesses. They include sales of crops and livestock products (except sales between farms in the same province) and program payments.
Farm operating expenses :	Represent business costs incurred by farm businesses for goods and services used in the production of agricultural commodities.
Net cash income :	Total farm cash receipts including payments - total operating expenses after rebates. This income measures farm business cash flow generated from the production of agricultural goods. Net cash income represents the amount of money available for debt repayment, investment or withdrawal by the owner. It does not take depreciation into account.
Realized net income	Net cash income + income-in-kind - depreciation
Total net income :	Realized net income + value of inventory change. It measures the financial flows and stock changes of farm businesses. Total net income values agriculture economic production during the year that the agricultural goods were produced. It represents the return to owner's equity, unpaid labour, management and risk.

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