The financial picture of farms in Canada

Statistics Canada

2006 Census of Agriculture

The number of census farms[1] in Canada continues to drop, according to data from the 2006 Census of Agriculture, declining 7.1% to 229,373 farms over the five-year period between the censuses (Table 1). This represents 17,550 fewer farms than in 2001. Yet the drop in farm numbers belies a sector — with some 327,060 operators according to the latest census — that continues to show resilience. The stability of the Canadian agricultural land base between 2001 and 2006, at 167 million acres, is one indication that agriculture continues to adapt. Adaptation is also seen as the number of larger farms, with gross farm receipts[2] of $250,000 or more (at 2005 constant prices), have increased 13.8% since 2001 while those with less than $250,000 in receipts declined by 10.5%.

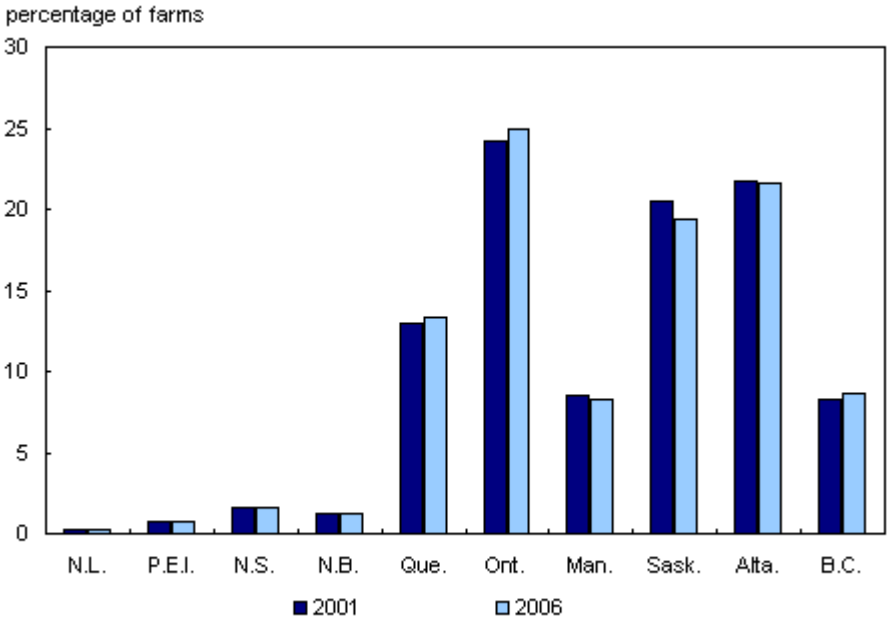
Table 1
Number of farms and farm area, Canada and provinces, 2001 and 2006

Province	Number of farms		Percentage change	Area (acres)		Percentage change
	2006	2001		2006	2001	
Newfoundland and Labrador	558	643	-13.2%	89,441	100,271	-10.8%
Prince Edward Island	1,700	1,845	-7.9%	619,885	646,137	-4.1%
Nova Scotia	3,795	3,923	-3.3%	995,943	1,005,833	-1.0%
New Brunswick	2,776	3,034	-8.5%	976,629	958,899	1.8%
Quebec	30,675	32,139	-4.6%	8,557,101	8,443,656	1.3%
Ontario	57,211	59,728	-4.2%	13,310,216	13,507,357	-1.5%
Manitoba	19,054	21,071	-9.6%	19,073,005	18,784,407	1.5%
Saskatchewan	44,329	50,598	-12.4%	64,253,845	64,903,830	-1.0%
Alberta	49,431	53,652	-7.9%	52,127,857	52,058,898	0.1%
British Columbia	19,844	20,290	-2.2%	7,006,569	6,392,909	9.6%
Canada	229,373	246,923	-7.1%	167,010,491	166,802,197	0.1%

Source: Statistics Canada, Census of Agriculture, 2001 and 2006

As a proportion of farms across Canada, Ontario reported the most farms at 57,211 (24.9%), a slightly higher proportion than in 2001. All Prairie provinces lost share, with Saskatchewan losing the most, falling to 19.3% of all farms from 20.5% in 2001. Alberta and Saskatchewan are the second and third largest farming provinces in terms of total number of farms (Figure 1).

Figure 1 Provincial proportions of all farms in Canada, 2001 and 2006



Source: Statistics Canada, Census of Agriculture, 2001 and 2006

Farm numbers have been declining steadily in Canada since 1941. The 2006 decline is slower than in 2001, when farm numbers fell 10.7% from the previous census, but the drop in numbers is not the whole story.

Census a snapshot

In spring 2006, when the data from the 2006 Census of Agriculture were being collected, farmers were facing a spring that had been preceded by one challenge after another: continued fallout from bovine spongiform encephalopathy (BSE) and avian influenza, falling commodity prices and the rising cost of fertilizers, fuels and other inputs. Since then, some commodity prices have improved, particularly those associated with alternative fuel sources, and even the beleaguered beef industry is showing some recovery after four years of BSE-inflicted hardship. Perhaps even the weather may turn around in 2007 after several years of drought in some parts of the country and too much moisture in others. It’s a situation that offers an important reminder that the Census of Agriculture is a snapshot of Canada’s agriculture sector every five years and that the census cannot measure the rapid changes that wax and wane between census years.

With increasing production costs and generally decreasing commodity prices, successful farming increasingly requires a niche market or a large operation with significant capital investments to remain viable. Indicators of this are the decreasing farm numbers and the increasing number of farms reporting large areas or gross farm receipts of a million dollars or more.

Demographics are also at work in reducing farm numbers: Aging farm operators are choosing to retire or move to less physically demanding and less capital-intensive “transitional” types of operations, particularly since fewer members of the younger generation are continuing the family farm. These trends are country-wide.

For the census, a farm is any operation that produces agricultural products with the intention of selling them. It includes farms with any agricultural receipts, from those operated by people who choose farming for lifestyle rather than economic reasons, to those who want to farm but supplement their income with off-farm work, and those who farm full time.

Gross farm receipts and expenses increase

Both gross farm receipts and operating expenses[3] increased from 2000 to 2005[4]. In 2005, gross farm receipts in Canada were $42.2 billion, up 8.8% from $38.8 billion (at 2005 constant prices) in 2000. Total operating expenses rose 0.7%, to $36.4 billion from $36.2 billion (at 2005 constant prices).

Government-funded program payments[5] contributed significantly to gross farm receipts. Farmers themselves contribute to many of these programs by paying premiums much like any insurance plan. According to Statistics Canada data on direct program payments to agriculture producers, 6.9% of receipts were from program payments in 2000; by 2005 the proportion had grown to 11.4%, largely a reflection of the impact of BSE. The actual value of these payments had almost doubled, from $2.6 billion to $4.8 billion (in current dollars) during this period.

According to the farm input price index (FIPI) and the farm product price index (FPPI), the inflation over this period on prices farmers had to pay for the inputs they purchased rose more quickly than the inflation on the prices they received for the products they sold — 8.6% for inputs versus 1.7% for products sold.

Improved efficiency, increased program payments and higher production have helped to keep the ratios between expenses and receipts stable despite inflationary imbalances between the two. Operators were spending an average of 86 cents in expenses (excluding depreciation) for every dollar of receipts in 2005, about a half-a-cent less than they had been in 2000.

More million-dollar farms

The advances in technology that have enabled farmers to produce more than their forefathers could ever have believed and an environment of stiff competition and tight margins make expansion a business strategy that many farmers adopt.

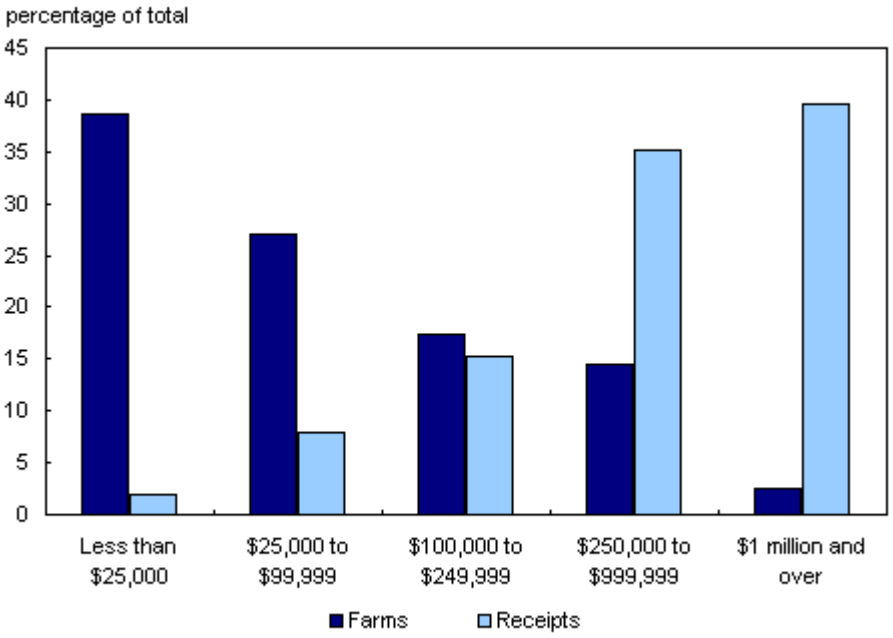
This situation isn’t unique to agriculture; it has been happening in other sectors too, although its impact on agriculture has taken longer to manifest itself because farming is still largely a family business. Farming has an emotional tie for the families who do it, sometimes leading them to supplement their farm activities with unpaid family farm labour or off-farm work. But the fact remains that farming and success are not mutually exclusive and it can happen on both small and large operations.

Certainly, the number of million-dollar farms (at 2005 constant prices) is on the rise — Canada now has 5,902 farms with $1 million or over in gross farm receipts. While still a relatively small proportion of all farms, they showed a significant increase, going from 1.8% in 2001 and 35% of total receipts to 2.6% and 40% of total receipts in 2006 (Figure 2).

These million-dollar farms were more likely to be incorporated operations at just over 75% compared with 16% of all farms. Of all million-dollar farms, 62.5% were family corporations, compared with 14.1% of all farms, and 13.1% were non-family corporations; among all farms, only

1.9% were non-family corporations. The proportion of million-dollar farms identified as family corporations has risen since 2001 while non-family corporations have decreased.

Figure 2 Proportion of farms and gross farm receipts by receipts class, Canada, 2006



Source: Statistics Canada, 2006 Census of Agriculture

Among the farms reporting $250,000 and over in receipts, a group that has been growing for a number of censuses, the story is also positive. This group (which includes the million-dollar farms) accounts for only 17.0% of all farms but 74.9% of total receipts.

The other 83.0%, the group of farms with receipts of less than $250,000, while still by far the largest class, has been shrinking over time: In 2001, the proportion in this receipts class (at 2005 constant prices) was 86.1% (Table 2).

Table 2
Farm numbers by receipts class (at 2005 constant prices), 2001 and 2006

	2006	2001	Percentage change
Less than $25,000	88,392	96,570	-8.5%
$25,000 to $99,999	62,030	69,828	-11.2%
$100,000 to $249,999	39,971	46,280	-13.6%
$250,000 to $999,999	33,078	29,792	11.0%
$1 million and over	5,902	4,453	32.5%
All farms	229,373	246,923	-7.1%

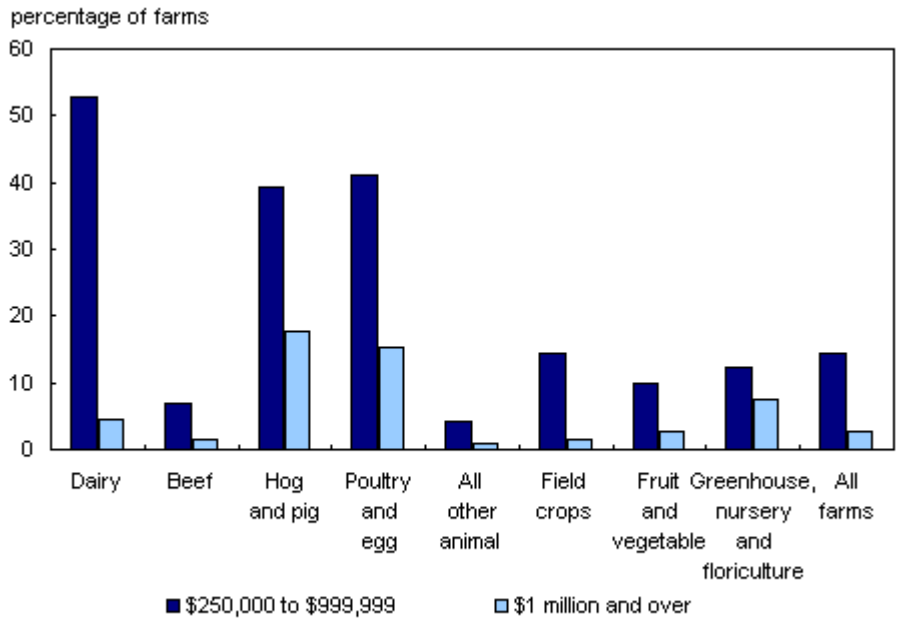
Source: Statistics Canada, Census of Agriculture, 2001 and 2006

Farm types make a difference

Whether or not an operation ends up being a million-dollar farm has a lot to do with what that farm produces. Hog and pig operations, at 2.6% of all farms, had 12.5% of Canada's total receipts. Moreover, 17.8% of all hog farms reported $1 million or over in gross farm receipts, the highest of any farm type[6]. For Canada overall, field crop farms are the most common farm type, with just under 40% of all farms and 30.6% of total receipts but only 1.5% of them are million-dollar farms.

Over 15% of all poultry and egg operations fall in the million-and-over receipts class, yet they represent only 2.0% of all farms (Figure 3).

Figure 3 Proportion of farms with receipts $250,000 to $999,999 and $1 million and over, by farm type, Canada, 2006



Source: Statistics Canada, 2006 Census of Agriculture

However, less than 1% of farms typed as "all other animal"— which include livestock combination farms, sheep, goat, horse and apiculture operations as well as those with alternative livestock such as wild boar or bison — have receipts of $1 million and over. Just over 65% of "all other animal" farms and 51.8% of fruit and vegetable operations reported receipts of less than $25,000 (Table 3).

Some farm types, by their very nature, tend to be larger. For dairy, hog and pig, and poultry and egg operations, the combination of labour-intensive work to care for livestock, high capital investments such as buildings and quota, and the requirement to be on site full-time, year-round, puts the largest proportion by far into the receipts class of $250,000 or more.

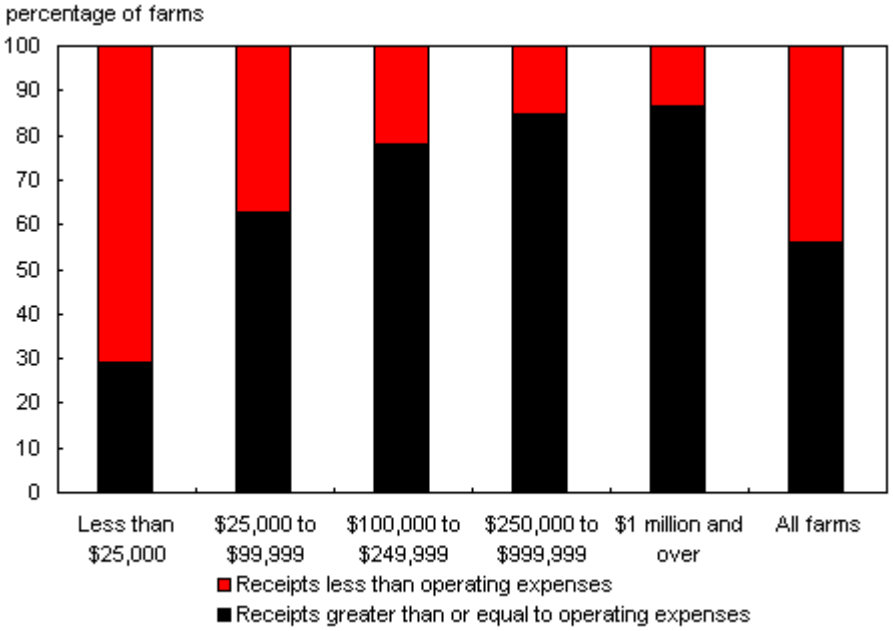
Table 3
Proportion of farms by receipts class by farm type, Canada, 2006

Farm type	Number of farms	Less than $25,000	$25,000 to $99,999	$100,000 to $249,999	$250,000 to $999,999	$1 million and over	Total
Dairy	14,651	3.4%	6.7%	32.6%	52.8%	4.5%	100%
Beef	60,947	38.3%	36.3%	17.0%	6.9%	1.4%	100%
Hog and pig	6,040	7.7%	13.4%	21.8%	39.4%	17.8%	100%
Poultry and egg	4,578	27.8%	6.3%	9.3%	41.1%	15.4%	100%
All other animal	30,594	65.1%	22.0%	7.9%	4.2%	0.9%	100%
Field crops	91,277	35.3%	28.9%	19.8%	14.5%	1.5%	100%
Fruit and vegetable	12,532	51.8%	23.3%	12.6%	9.8%	2.6%	100%
Greenhouse, nursery and floriculture	8,754	47.7%	20.4%	12.0%	12.3%	7.5%	100%
All farms	229,373	38.5%	27.0%	17.4%	14.4%	2.6%	100%

Source: Statistics Canada, 2006 Census of Agriculture

While the million-dollar farms were most likely to cover their operating expenses (excluding depreciation) with their receipts, there were success stories even among the smaller classes. Nearly 29% of farms in the smallest receipts class covered their operating expenses with their receipts while 14% of million-dollar farms didn’t. When all farms were taken into consideration, 44% didn’t cover their costs in 2005 due to the large number of very small farms (Figure 4).

Figure 4 Percentage of farms with gross farm receipts less than operating expenses and equal to or greater than operating expenses, by receipts class, Canada, 2006



Source: Statistics Canada, 2006 Census of Agriculture

Some small farms are still in the black

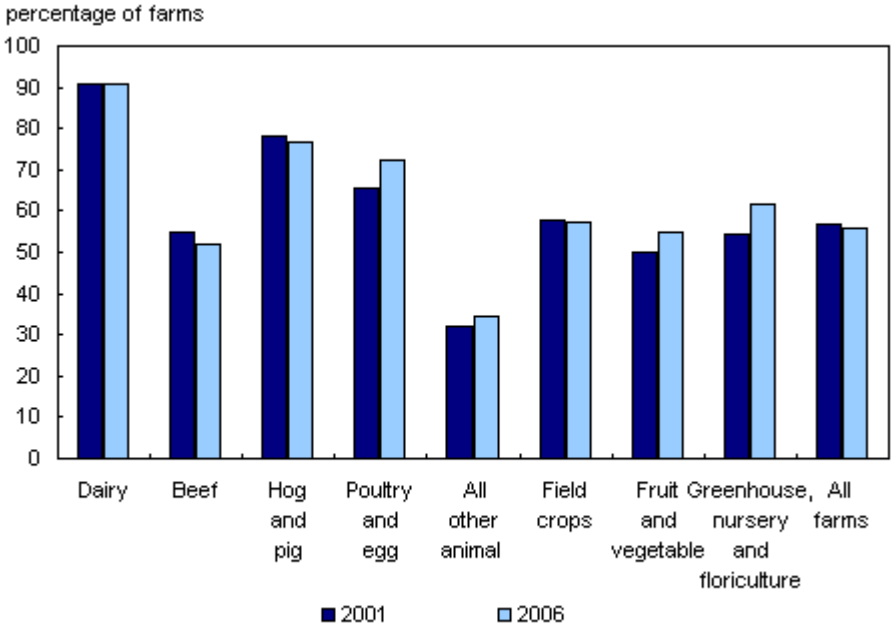
While about 71% of farms with receipts less than $25,000 did not report enough farm income to cover their expenses in 2005, this is a slightly smaller proportion than in 2000.

Greenhouse, nursery and floriculture farms and fruit and vegetable farms that fell in the small receipts classes were more likely to cover their operating expenses than other farm types in the same class — 41.0% and 37.2% respectively covered their operating expenses.

In general, farm types with large proportions of small farms were more likely to have difficulty covering operating costs. For some farmers in the lower receipts classes, their small farms are a lifestyle choice. For others, low receipts are a real reminder of the economics of farming.

Farms raising predominantly beef and “all other animals” had the lowest proportions of farms covering their expenses and also had relatively large numbers of farms in the lowest receipts class. For all beef operations, the proportion with receipts that met or exceeded their operating expenses came in at 51.9% (Figure 5), which was lower than the 54.8% in 2000, likely because of the effects of BSE and the resulting border closures. Even among “all other animal” operations, 34.5% reported enough receipts to cover their expenses. For some farms within this type, profitability may not be the focus.

Figure 5 Proportion of farms reporting receipts equal to or greater than operating expenses, by farm type, 2001 and 2006



Source: Statistics Canada, Census of Agriculture, 2001 and 2006

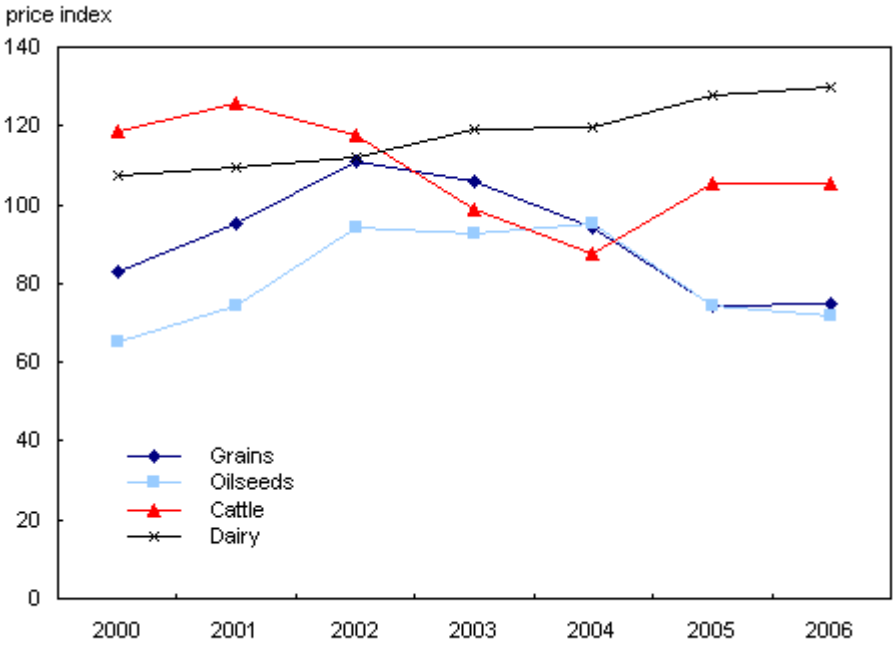
Different farm types subject to different pressures

Since 2000 the prices farmers received for their products have been somewhat like a roller coaster. Oilseed prices increased by about 15% between 2000 and 2005. On the other hand, grain prices had decreased by about 11% since 2000, with several years of either droughts or floods presenting even more challenges for grain farmers.

Prices received by dairy farms had increased significantly since 2000, at 19%.

Cattle prices, however, had decreased over 11% between 2000 and 2005 due to the BSE crisis, bottoming out with a 26% drop between 2000 and 2004. When the borders were partially re-opened to Canadian cattle in 2005 — and by the time the census was taken in May 2006 — cattle prices had rebounded somewhat from their lows (Figure 6).

Figure 6 Farm product price index (1997=100), Canada, 2000 to 2006



Source: Statistics Canada, farm product price index, 2000 to 2006

According to the farm input price index (FIPI), farmers were subject to large increases in operating expenses between 2000 and 2005. For example, fertilizer and fuel prices were both up about 35% and pesticides were up 19%.

The cost of renting land also jumped, with rental rates up 14% on average. Not only did land rental costs rise, but at the same time farmers were renting more land to increase their total farm area and take advantage of economies of scale without making a large capital investment.

As a point of reference, the consumer price index on all items over the 2000 to 2005 period was 12.2%.

Expenses-to-receipts margin affected by farm type and receipts class

In simple terms, what it costs to produce a commodity and what an operator can sell it for are the economics behind the expenses-to-receipts ratios of various types. On average, operations with less than $25,000 in receipts spent $1.68 on operating expenses for every dollar of revenue in 2005.

Average expenses-to-receipts ratios, it is worth noting, reflect both those operations with profits and those who are operating under losses within the same receipts class. Because the majority of operations in the lowest receipts class fall in the latter category, the “average” ratio camouflages the 29% of farms that are actually covering expenses.

Farm type also played a role in expenses-to-receipts ratios. By this measure, how well an operation fared from one census to another varied, with some types having better ratios since 2000 and others worse (Table 4).

Table 4
Expense-to-receipts ratios by farm type, Canada, 1995, 2000 and 2005

Farm type	Less than $25,000	$25,000 to $99,999	$100,000 to $249,999	$250,000 to $999,999	$1 million and over	All farms 2005	All farms 2000	All farms 1995
Dairy	1.89	0.81	0.72	0.72	0.74	0.73	0.74	0.71
Beef	1.62	0.96	0.85	0.85	0.96	0.93	0.94	0.91
Hog and pig	2.51	0.90	0.82	0.86	0.86	0.86	0.85	0.88
Poultry and egg	1.78	0.88	0.82	0.81	0.85	0.84	0.86	0.88
All other animal production	2.14	1.02	0.83	0.82	0.76	0.93	0.94	0.88
Field crops	1.54	0.94	0.86	0.84	0.83	0.87	0.86	0.78
Fruit and vegetable	1.54	0.89	0.84	0.81	0.87	0.87	0.88	0.84
Greenhouse, nursery and floriculture	1.45	0.82	0.79	0.80	0.87	0.86	0.85	0.84
All farms	1.68	0.94	0.83	0.81	0.87	0.86	0.87	0.83

Source: Statistics Canada, Census of Agriculture, 1996 to 2006

Different farm types appear to have different “sweet spots” for economic efficiency. At the Canada level the $250,000-to-$999,999 receipts class had the best ratio, at 81 cents to the dollar, slightly better than the next smaller class ($100,000 to $249,999), at 83 cents. The same was true for poultry and egg, and fruit and vegetable operations. Dairy[7] and beef farms both had their “sweet spots” spread over two receipts classes: $100,000 to $249,999 and $250,000 to $999,999, although dairy farms had a lower “best ratio” than beef farms (72 cents compared to 85 cents). For hog, and greenhouse, nursery and floriculture farms, the receipts class with the lowest ratio was the $100,000-to-$249,999 class, while for “all other animal” and field crop farms the lowest ratios were found on the million-dollar farms.

Provincial ratios also vary

Ratios do vary by farm type and a province’s ratios are highly influenced by the types of farms found there. For example, Quebec showed the lowest ratio of expenses to receipts at 0.82, due mainly to the predominance of the dairy sector in this province (Table 5). Dairy farms spent the least of any farm type in expenses for every dollar of receipts earned, at 73 cents.

In Prince Edward Island producers’ expenses increased from 85 cents for every dollar of receipts in 2000 to 90 cents in 2005. Reduced potato production in 2005, as well as increased input prices, influenced this change.

Table 5
Ratio of expenses to gross farm receipts by province, 1995, 2000 and 2005

Province	Year		
	2005	2000	1995
Newfoundland and Labrador	0.86	0.87	0.88
Prince Edward Island	0.90	0.85	0.83
Nova Scotia	0.87	0.84	0.85
New Brunswick	0.86	0.86	0.87
Quebec	0.82	0.83	0.80
Ontario	0.86	0.86	0.84
Manitoba	0.86	0.87	0.83
Saskatchewan	0.88	0.85	0.77
Alberta	0.89	0.90	0.84
British Columbia	0.90	0.91	0.90
Canada	0.86	0.87	0.83

Source: Statistics Canada, Census of Agriculture, 1996 to 2006

Saskatchewan had the lowest expense-to-receipts ratio (77 cents) in 1995 when grain prices were strong, but increases in inputs and decreases in crop prices had led to significant loss in margin by 2005.

Most provinces have seen increased expenses-to-receipts ratios since 1995. By any measure, farming is an industry of narrow margins, where even with good management, many external factors such as disease, adverse weather and international markets are beyond the control of those who operate Canada's farms.

The Census of Agriculture serves as a benchmark for many regular surveys on crop areas, livestock inventories and economic data published by the Agriculture Division. These series will, where necessary, be revised to align with census data and measure the constant change and challenges farmers face.

Statistics Canada would like to thank the Canadian farming community for their participation and assistance in the 2006 Census of Agriculture.

For more information, or to enquire about the concepts, methods or data quality of this release, contact Gaye Ward (613-951-3172), Census of Agriculture, or Media Relations (613-951-4636).

Notes:

[1]An operation is considered a **census farm** if it produces at least one of the following products intended for sale:

- Crops: Hay, field crops, tree fruits or nuts, berries or grapes, vegetables, seed
- Livestock: Cattle, pigs, sheep, horses, game animals, other livestock
- Poultry: Hens, chickens, turkeys, chicks, game birds, other poultry

- Animal products: Milk or cream, eggs, wool, furs, meat
- Other agricultural products: Christmas trees, sod, greenhouse or nursery products, mushrooms, honey or bees, maple syrup products

[2]The census measures gross farm receipts and operating expenses for the calendar or accounting year prior to the census.

The census definition of **gross farm receipts** (before deducting expenses) include:

- receipts from all agricultural products sold
- program payments and custom work receipts.

The following are **not** included in gross farm receipts:

- sales of capital items (for example: quota, land, machinery)
- receipts from the sale of any goods bought only for retail sales.

[3]The census definition of **total operating expenses** does not include depreciation or capital cost allowance. Depreciation represents economic "wear and tear" expense. Capital cost allowance represents the expense written off by the tax filer as allowed by tax regulations.

Farm operating expenses:

- Any cost associated with producing crops or livestock, except the purchase of land, buildings or equipment
- Includes the cost of seed, feed, fuel, fertilizers, etc.

[4]Some data refer to a reference period other than Census Day. For financial data, the reference period is the calendar or accounting year prior to the census.

[5]Direct **program payments** to producers represent the amounts paid under various government agricultural programs to agriculture producers. Farmers themselves contribute to many of these programs by paying premiums much like any insurance plan.

[6]**Farm type** is established through a procedure that classifies each census farm according to the predominant type of production. This is done by estimating the potential receipts from the inventories of crops and livestock reported on the questionnaire and determining the product or group of products that make up the majority of the estimated receipts. For example, a census farm with total potential receipts of 60% from hogs, 20% from beef cattle and 20% from wheat, would be classified as a hog and pig farm. The farm types presented in this document are derived based on the North American Industrial Classification System (NAICS). The chart below shows how these derived farm types relate to NAICS.

NAICS five-digit classes	Census of Agriculture derived categories
Dairy cattle and milk production	Dairy
Beef cattle ranching and farming	Beef
Hog and pig farming	Hog and pig
Chicken and egg production	Poultry and egg
Broiler and other meat-type chicken production	
Turkey production	
Poultry hatcheries	
Combination poultry and egg production	
Other poultry production	
Sheep farming	All other animal
Goat farming	
Apiculture	
Horse and other equine production	
Fur-bearing animal and rabbit production	
Livestock combination farming	
All other miscellaneous animal production	
Soybean farming	Field crops
Oilseed (except soybean) farming	
Dry pea and bean farming	
Wheat farming	
Corn farming	
Other grain farming	
Potato farming	
Tobacco farming	
Hay farming	
All other miscellaneous crop farming	
Other vegetable (except potato) and melon farming	Fruit and vegetable
Fruit and tree nut farming	
Fruit and vegetable combination farming	
Mushroom production	Greenhouse, nursery and floriculture
Other food crops grown under cover	
Nursery and tree production	
Floriculture production	

[7]Canada's dairy, chicken, turkey and egg industries are regulated by **supply management** systems. Established in each of these industries in the 1970s, supply management regulates domestic production and imports to ensure that the supply of that commodity matches the demand for it, and that the prices paid to farmers cover their production costs and leave them with a pre-determined, predictable income. Processors and consumers are guaranteed a consistent supply of top-quality commodities at steady prices.