

Agroflash

June 28, 2004

ÉCONOMIE

2003 in a Nutshell

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

Headlines

Impact of reopening of US border to beef products (from animals under 30 months of age) mainly benefited veal industry

In the first quarter of 2004, total farm receipts (farm sales and program payments) rose 4.2% from the first quarter of 2003. This performance surpasses the Canadian average, which registered a negative variation of 2.5%.

Livestock receipts for the cattle and calf sector tumbled 17% from the last quarter of 2003, bringing the difference between the first quarters of 2003 and 2004 to 47%. Comparing the first quarters of 2003 and 2004, it is noted that the decline in cattle receipts was especially due to the significant drop in prices. The drop in price of calves was softened by a rise in quantities delivered.

In contrast, hog farmers declared receipts of \$265.9 million this quarter, up 20% from the last quarter of 2003 and up 10% from the first quarter of 2003.

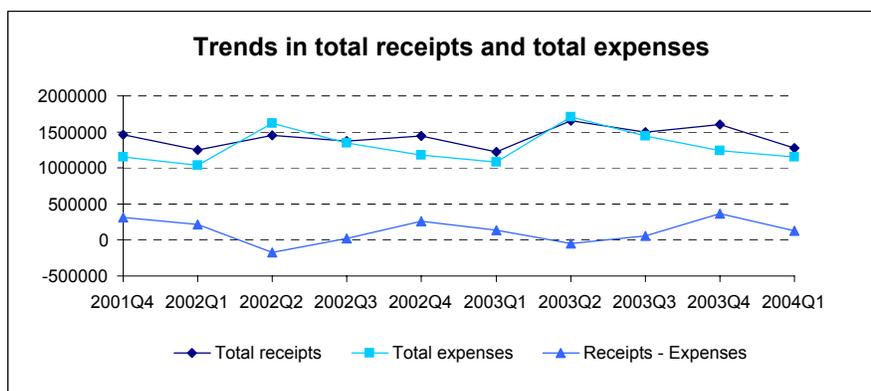
Both quantities delivered and prices increased when the first quarters are compared.

Crop receipts were up 4.5% from the first quarter of 2003. Corn saw the highest increase with a gain of \$14.4 million, i.e. an increase of 17 compared with the first quarter of 2003. Grains other than corn (-38%) and fruit (-16.1%) turned in a weak performance in comparison to the same quarter of the last year, following a 19% increase in the last quarter of 2003.

The delivery volume of potatoes, which rose sharply in the first quarter of 2004, was offset by lower prices resulting in farm cash receipts staying at the level observed in the first quarter of 2003.

Between the first two quarters of 2003 and 2004, program payments saw a strong increase, i.e. 138% or an additional \$63.7 million.

Total expenses after rebates in the first quarter of 2004 showed an increase of close to \$67 million, up 6.2% from the same period last year.



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 - 2001, 2002 and 2003

Sector	2001		2002			2003				
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
	M\$									
Total receipts¹	1 252,7	1 448,5	1 369,1	1 441,4	1 222,3	1 659,0	1 497,5	1 602,3	1 274,7	
Livestock production	948,4	911,8	869,5	906,2	951,3	954,7	865,8	892,1	929,8	
Cattle	75,7	91,3	80,3	77,1	78,0	66,3	19,4	34,9	25,2	
Calves	54,5	55,0	57,3	58,7	59,2	49,4	31,9	52,1	46,8	
Hogs	269,5	221,9	214,0	221,7	240,3	234,0	238,3	220,8	265,9	
Hens and chicken	104,2	104,8	97,7	97,8	103,5	108,2	105,4	104,3	110,7	
Other animals	20,8	21,0	21,6	24,2	19,7	21,1	21,5	22,7	21,9	
Dairy products	384,1	382,0	359,3	384,9	412,4	441,8	414,5	422,8	423,5	
Eggs	27,9	27,6	29,1	30,5	25,5	25,0	26,0	25,5	24,5	
Honey	1,1	0,8	2,4	2,0	1,3	1,0	1,5	1,3	0,8	
Other products of animal origin	8,7	6,6	6,3	6,4	8,9	7,0	6,3	6,3	8,5	
Crop production	222,0	387,0	378,0	420,9	224,9	395,2	385,8	447,9	235,0	
Grains other than corn	10,7	10,0	24,3	17,4	17,5	11,9	18,1	14,0	10,7	
Corn	81,1	63,7	53,4	108,5	81,7	60,3	63,5	104,6	96,1	
Flowers and nurseries	30,5	80,5	42,6	102,2	33,6	92,1	48,0	101,4	35,3	
Maple products	6,6	125,6	0,0	0,0	6,7	127,8	0,0	0,0	6,7	
Vegetables	29,2	37,7	157,7	50,8	24,9	37,2	169,6	53,0	26,8	
Potatoes	25,5	30,9	23,9	30,4	19,2	24,2	21,8	25,1	19,2	
Fruits	7,3	7,4	50,9	23,1	10,0	10,4	46,9	27,5	8,4	
Oil and protein seed crops	17,6	14,7	18,7	50,4	18,0	15,8	11,9	85,5	18,2	
Other crops	13,4	16,4	6,5	38,1	13,3	15,5	5,9	36,8	13,5	
Programs ²	82,4	149,6	121,7	114,3	46,2	309,0	245,9	262,3	109,9	
Total expenses after rebate¹	1 038,4	1 620,9	1 344,1	1 177,6	1 083,2	1 708,8	1 439,1	1 236,0	1 150,0	
Total receipts - total expenses after rebate	214,3	-172,4	25,1	263,8	139,1	-49,8	58,4	366,3	124,6	

1. Cash basis of accounting.

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 and quarter - 1999 to 2003

Sector	1999	2000	2001	2002	2003
	M\$				
Total receipts¹	5100,3	5422,5	5752,7	5511,7	5981,2
Livestock production	3184,0	3624,2	3857,2	3635,9	3663,9
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	1110,1	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	1479,1	1553,1	1543,9	1510,4	1691,4
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	1263,2	1256,8	1271,6	1407,8	1453,8
Grains other than corn	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 crops	107,1	98,3	95,7	101,5	131,2
Other crops	84,5	81,2	71,3	74,4	71,5
Programs ²	653,1	541,5	623,9	468,0	863,5
Total expenses after rebates¹	4404,0	4771,3	5041,4	5181,0	5467,1
Depreciation on machinery and buildings	502,0	542,9	571,8	579,4	607,4
Operating expenses after rebates¹	3902,1	4228,4	4469,6	4601,6	4859,7
Commercial feed	951,8	967,0	1071,5	1167,9	1214,6
Cash wages ³	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	1037,1	1009,9	1114,4
Net cash income	1198,2	1194,1	1283,1	910,1	1121,4
Income-in-kind	48,6	50,7	46,4	44,6	41,6
Realized net income	744,8	701,8	757,7	375,3	555,7
Value of inventory change	17,6	-67,8	88,5	19,6	125,3
Total net income	762,4	634,0	846,3	394,9	681,0

1. Cash basis of accounting.

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

3. Includes room and board.

Sources: 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.
N.B.:	All data are the subject of intercensal revisions.

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