

# Agroflash

September 24, 2007  
ÉCONOMIE

## 2006 in a nutshell

- Drop in farmers' income
- Marked increase in payment programs
- Recovery in grain industry
- Hog receipts down

## Headlines

### Hog, poultry and grain sectors back on their feet

#### Farm cash receipts up in first half of 2007

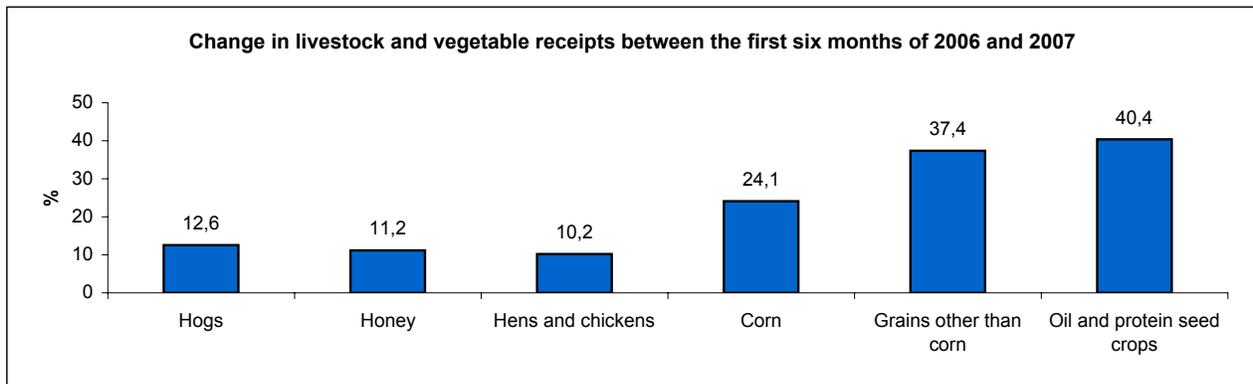
At the end of the first half of 2007, Québec agriculture generated market receipts of \$3,316.8 million.

Receipts went up (+ 4.6 %) from the receipts registered in the same period in 2006 (\$3,170.2 million), an increase clearly higher than the average growth rate in each six-month period over the past five years (+ 1.8 %).

#### Livestock production

Livestock receipts were \$2,018 million in the first half of 2007, up considerably from the first half of the previous year (+ 4.8 %).

Moreover, they reflect a recovery in several key livestock sectors, i.e. the hog, beekeeping and poultry (hens and chicken) sectors were up 12.6 %, 11.2 % and 10.2 % respectively from the first half of 2006.



#### Moderate increase in program payments

Government payments to Québec farmers in the first six months of 2007 (\$601.3 million) surpassed the record level attained in the corresponding period of 2006 (\$597.6 million).

However, that increase was relatively modest (0.6 %) compared to the semi-annual average over the past five years (15.5 %).

## Semi-annual receipts up in crop production

Crop production receipts were close to \$700 million in the first six months of 2007, a 7.8% jump from the same period in 2006.

Growth in the demand from the biofuel industry and the drop in grain supply were the primary factors behind the increase in the price of grains. Thus, despite a 13.3% decline in the volume of corn sold, the cash receipts generated in those six months (\$166.9 million) rose 24.1 % due to the 43.1% increase in the sales price. Receipts for grains other than corn (\$24.2 million) posted an increase of 37.4 % in the first six months. This change was the result of the 25.5 % increase in the sales price and the 9.5 % increase in the delivery price.

In oil and protein seed production, an increase in the volume of deliveries (+ 18.0 %) combined with an 18.9 % increase in prices caused that sector's receipts to increase from \$40.4 to \$56.7 million in the first six months, compared to the same time in 2006.

Cash receipts were down in the maple product (- 7.4 %), vegetable (- 3.4 %) and fruit (- 3.1 %) sectors.

## Agricultural expenses remain high

In the first half of 2007, agricultural expenses pierced the \$3 billion mark, a notable increase of 4.0 % compared to the same period in 2006.

Québec farmers spent \$3,030.5 million in the first half of the current year, i.e. \$268.9 million over the six-month average registered in the last five-year period (\$2,761.6 million).

## Net farm income in Québec by sector and half year - 2004, 2005, 2006 and 2007<sup>1</sup>

Sector	2004		2005		2006		2007
	HY1	HY2	HY1	HY2	HY1	HY2	HY1
	\$M						
<b>Total receipts</b>	<b>3 048,4</b>	<b>3 262,2</b>	<b>3 108,0</b>	<b>3 081,2</b>	<b>3 170,2</b>	<b>3 081,9</b>	<b>3 316,8</b>
Livestock production	1 960,3	2 057,1	2 032,3	1 966,9	1 925,2	1 923,9	2 018,0
Cattle	93,1	127,5	120,6	135,1	143,9	151,0	147,0
Calves	81,8	93,6	91,1	108,8	107,0	111,9	102,5
Hogs	576,3	615,1	554,5	480,3	410,5	428,5	462,1
Hens and chickens	220,7	227,0	229,1	198,0	207,8	201,7	229,0
Other livestock	44,8	47,8	42,9	50,4	50,4	50,5	45,1
Dairy products	872,7	873,0	926,5	926,0	935,9	910,3	962,1
Eggs	50,0	52,6	46,6	47,9	49,0	49,1	47,8
Honey	1,2	3,6	2,0	4,1	2,2	4,5	2,4
Other products of animal origin	19,6	17,0	19,1	16,4	18,7	16,3	19,9
Crop production	639,4	818,9	643,6	797,0	647,3	859,4	697,5
Grains other than corn	19,6	25,8	17,2	24,6	17,6	28,1	24,2
Corn	176,4	152,1	116,3	141,3	134,5	153,6	166,9
Flowers and nurseries	129,6	158,3	126,5	155,6	130,9	159,3	135,6
Maple products	128,0	0,0	168,7	0,0	152,3	0,0	141,0
Vegetables	59,4	239,8	61,0	231,7	67,3	242,8	65,0
Potatoes	39,3	42,4	42,5	56,5	56,6	61,6	58,4
Fruits	17,7	89,5	19,1	85,3	19,2	98,4	18,6
Oil and protein seed crops	40,5	80,1	66,5	74,9	40,4	84,5	56,7
Other crops	28,8	30,9	25,9	27,1	28,7	31,1	31,3
Programs <sup>2</sup>	448,7	386,1	432,1	317,3	597,6	298,6	601,3
<b>Total expenses after rebates<sup>3</sup></b>	<b>2 897,7</b>	<b>2 733,2</b>	<b>2 874,9</b>	<b>2 750,0</b>	<b>2 914,2</b>	<b>2 844,8</b>	<b>3 030,5</b>
<b>Receipts minus total expenses after rebates</b>	<b>150,6</b>	<b>528,9</b>	<b>233,1</b>	<b>331,2</b>	<b>256,0</b>	<b>237,0</b>	<b>286,3</b>

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. The statistics for the first half of 2007 are estimated and non-seasonally adjusted. The rebates are reimbursements of expenses, for example, taxes and interest.

Sources : Institut de la statistique du Québec; Statistics Canada.

**Net farm income in Québec by sector and year - 2000 to 2006<sup>1</sup>**

Sector	2000	2001	2002	2003	2004	2005	2006
	\$M						
<b>Total receipts</b>	<b>5 422,5</b>	<b>5 753,8</b>	<b>5 527,1</b>	<b>5 947,4</b>	<b>6 305,3</b>	<b>6 189,2</b>	<b>6 252,1</b>
Livestock	3 624,2	3 857,2	3 645,5	3 643,8	4 012,1	3 999,2	3 849,2
Cattle	287,6	327,6	334,5	231,6	217,4	255,7	295,0
Calves	193,9	225,5	224,4	153,3	175,3	199,8	218,9
Hogs	996,9	1 110,1	927,0	934,4	1 191,4	1 034,8	838,9
Hens and chickens	383,7	423,7	404,6	423,0	445,9	427,1	409,5
Other livestock	80,6	86,8	87,7	85,5	92,3	93,3	100,8
Dairy products	1 553,1	1 543,9	1 510,4	1 676,6	1 745,7	1 852,5	1 846,2
Eggs	87,5	98,7	115,0	102,2	102,6	94,5	98,1
Honey	4,0	4,7	6,7	4,9	4,8	6,0	6,7
Other products of animal origin	36,8	36,2	35,1	32,3	36,5	35,5	35,0
Crop production	1 256,8	1 272,7	1 413,6	1 428,5	1 458,4	1 440,7	1 506,7
Grains other than corn	32,0	49,3	62,4	58,0	45,4	41,8	45,7
Corn	246,8	221,4	306,7	300,4	328,5	257,6	288,0
Flowers and nurseries	199,4	220,7	256,1	271,9	288,0	282,1	290,2
Maple products	158,7	130,6	132,2	134,3	128,0	168,7	152,3
Vegetables	259,2	286,1	278,2	284,7	299,3	292,7	310,0
Potatoes	85,6	95,7	110,8	85,6	81,7	99,0	118,2
Fruits	95,5	102,3	96,5	95,9	107,2	104,4	117,6
Oil and protein seed crops	98,3	95,3	101,5	129,9	120,7	141,4	124,9
Other crops	81,2	71,4	69,2	67,7	59,8	53,1	59,8
Programs <sup>2</sup>	541,5	623,9	468,0	875,2	834,8	749,3	896,2
<b>Total expenses after rebates</b>	<b>4 771,3</b>	<b>5 041,1</b>	<b>5 129,2</b>	<b>5 471,7</b>	<b>5 631,0</b>	<b>5 624,9</b>	<b>5 759,0</b>
Depreciation on machinery and buildings	542,9	571,8	578,9	603,5	582,9	620,7	599,2
<b>Operating expenses after rebates</b>	<b>4 228,4</b>	<b>4 469,2</b>	<b>4 550,3</b>	<b>4 868,2</b>	<b>5 048,1</b>	<b>5 004,3</b>	<b>5 159,8</b>
Commercial feed	967,0	1 071,5	1 135,8	1 198,2	1 246,2	1 090,4	1 062,0
Cash wages <sup>3</sup>	589,5	620,8	664,2	684,2	711,5	736,4	759,3
Interest	544,6	546,7	515,4	513,5	501,2	527,1	610,6
Repairs to buildings and machinery (and other related expenses)	387,3	398,9	410,9	424,4	442,8	457,6	467,9
Fertilizer and lime	193,8	213,2	215,3	215,8	221,2	234,4	232,3
Machinery fuel	156,4	162,7	154,5	163,8	188,4	215,7	225,4
Commercial seed	133,0	143,2	155,9	169,8	180,0	179,6	185,0
Artificial insemination and veterinary fees	132,7	142,0	149,5	155,5	157,1	161,7	160,0
Business insurance	129,6	133,5	143,6	155,1	163,5	168,0	171,4
Other expenses	994,3	1 036,8	1 005,1	1 187,9	1 236,4	1 233,3	1 285,8
<b>Net cash income</b>	<b>1 194,1</b>	<b>1 284,6</b>	<b>976,8</b>	<b>1 079,2</b>	<b>1 257,2</b>	<b>1 184,9</b>	<b>1 092,3</b>
<b>Income-in-kind</b>	<b>50,7</b>	<b>46,3</b>	<b>44,6</b>	<b>43,4</b>	<b>41,8</b>	<b>39,3</b>	<b>45,0</b>
<b>Net income</b>	<b>701,8</b>	<b>759,0</b>	<b>442,5</b>	<b>519,1</b>	<b>716,0</b>	<b>603,5</b>	<b>538,0</b>
<b>Value of inventory change</b>	<b>-67,8</b>	<b>88,2</b>	<b>19,4</b>	<b>106,3</b>	<b>127,3</b>	<b>-25,1</b>	<b>-104,7</b>
<b>Total net income</b>	<b>634,0</b>	<b>847,3</b>	<b>461,9</b>	<b>625,3</b>	<b>843,4</b>	<b>578,4</b>	<b>433,3</b>

1. Cash basis of accounting. Statistics revised for 2004, 2005 and 2006.

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 (-) 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 on equity.
N.B.:	All data are the subject of intercensal revisions.

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