

Measuring the Farm Income Crisis

Revised 2006

Canadian Federation of Agriculture
1101-75 Albert Street
Ottawa, Ontario
K1P 5E7
(613) 236-3633



Showing the level of hurt in agriculture

Grains & Oilseeds and Horticulture

- Grain prices in 2004 are 19.4% lower than 2003 and 25.3% lower than 2002.
- From December 2003 – December 2004, Grain price index fell 36.8% (Source: StatsCan)
- From November 2004 – November 2005, Crop price index fell another 15.1% (Source: StatsCan)

Canada an Export Nation

It is estimated that a 1¢ rise in the Canadian dollar relative to the US dollar equals a loss of Cdn\$232.7 million in export value to the US (Calculated from Strategis, Industry Canada).

Exchange Rate, March 1, 2005: 0.8046

Exchange Rate, March 1, 2006: 0.8796

Farm Costs

Despite falling incomes, costs continue to increase:

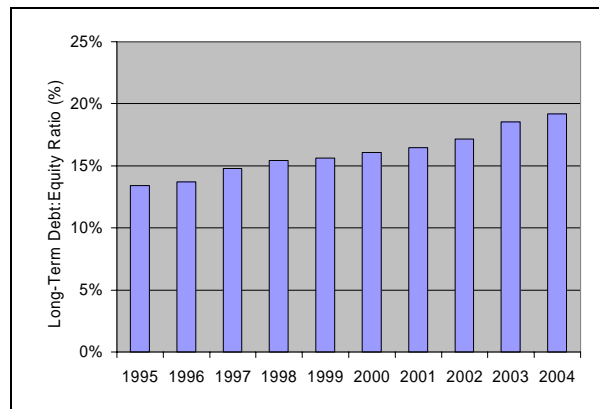
	Jan 2002	Jan 2005	% increase
Marked purple gasoline	44.07 cents/litre	62.02 cents/litre	+40.73
Diesel (Alta Prov. Allowance Deducted)	33.35 cents/litre	51.97 cents/litre	+55.83
Barbed wire 40kg	\$44.35	\$56.72	+27.89
82 – 0 – 0 Anhydrous (tonne)	\$553.50	\$676.35	+18.16
46 – 0 – 0 Urea (tonne)	\$342.05	\$420.49	+22.93
100kg bag (Herbicide)			
Tolerant Canola Certified Seed)	\$760.56	\$1021.22	+34.27

Increase in diesel prices from January –September 2005: 25.0%

Increase in gasoline prices from January –September 2005: 39.6%

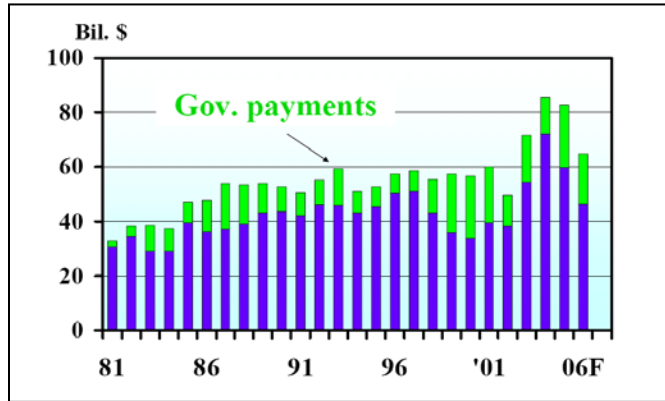
Farm Debt in 2004: \$48.9 billion

- In the decade of 1995-2004 Farm Debt has grown a total of 90%
- Farm long-term debt-to-equity ratio is increasing, indicating farmers are increasingly leveraging their farm to survive.



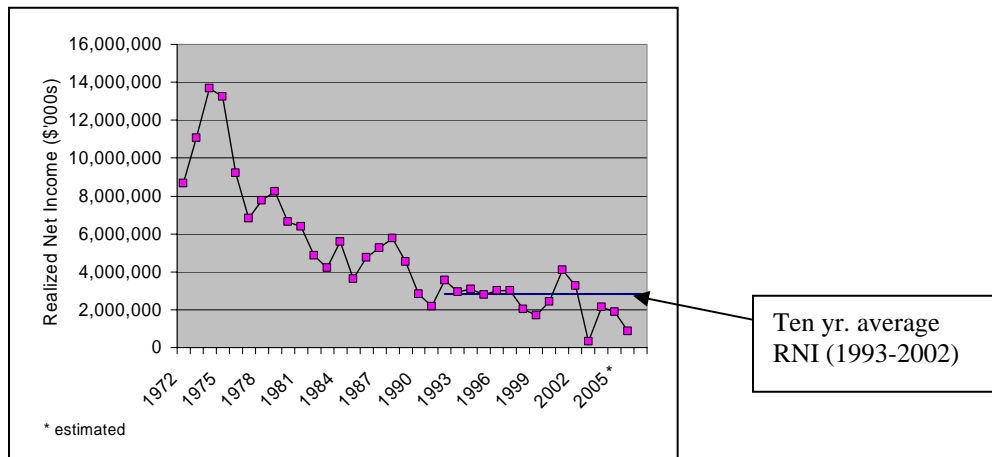
Compared to the U.S.

- Per farm net income in US, 2004: ~US \$39,045 per year
- Average per farm debt in US, 2004: ~US \$97,940
- Per Farm Net Cash Income in Canada, 2004: ~Cdn \$27,247 per year
- Average per farm debt in Canada, 2004: ~Cdn \$207,406
- 2003-2006 will be the best four years in US recorded history.



U.S. Net Farm Incomes

- In contrast, the years 2003-2006 will be some of the four worst years of Realized Net Income (RNI) in Canadian history, with an average per farm of \$5,592 per year.



Canadian Realized Net Incomes (adjusted for inflation)

Measuring the deficiency

From 2002-2004, farmers leveraged another \$3.6 billion in long-term debt from their equity to survive.

Adjusting for inflation:	
Average Realized Net Income of farms (1993-2002):	\$2,832,692,000
Realized Net Income, 2003:	\$340,950,000
Annual income after expenses and depreciation, per farm:	\$1,423
Realized Net Income, 2004:	\$2,124,048,000
Annual income after expenses and depreciation, per farm:	\$9,002
Realized Net Income 2005:	\$1,901,600,000
Annual income after expenses and depreciation, per farm:	\$8,188
Realized Net Income 2006 (estimated by AAFC):	\$857,941,000
Annual income after expenses and depreciation, per farm:	\$3,754
<u>Total deficiency in RNI over the past four years compared to historical average:</u>	<u>\$6,106,229,000</u>