

FARM INCOME FORECAST, 2006^P AND 2007^E

MANITOBA HIGHLIGHTS

Situation 2006:

- **Manitoba farm cash receipts** are estimated at **\$3.802 billion in 2006**, a minimal gain from \$3.799 billion in 2005.
- In 2006, crop cash receipts increased slightly by 5.2% to \$1.347 billion from \$1.280 billion in 2005. Gains in receipts for wheat, barley and canola were tempered by lower returns for flaxseed and potatoes.
- Livestock receipts were estimated at \$1.818 billion in 2006, relatively unchanged from \$1.819 billion in 2005.
- Higher marketings in cattle and a modest increase in price pushed total cash receipts for cattle 18.9% between 2005 and 2006.
- Gains in cattle were offset by a decrease of 10.5% in hog returns due to a substantial drop in average prices. This decline in hog receipts is mainly attributable to significantly lower prices as hog marketings remained more or less unchanged.
- Direct payments to Manitoba producers totalled \$637.1 million in 2006, an 8.8% drop from \$698.7 million in 2005, mainly attributable to reduced Crop Insurance payments.
- Total farm operating expenses after rebates were \$3.3 billion in 2006, up 7.6% from 3.1 billion in 2005, mainly due to increased expenditure on interest, fuel, fertilizers, seed and feed. Changes to most other costs were consistent with the overall inflation rate.
- Net cash income was estimated at \$475.7 million for 2006, down 33% from \$707.7 million in 2005. Realized net income after depreciation was \$80.5 million in 2006, down 74% from \$309.1 million in 2005. Due to a rebuilding of crop sector inventories, total net income increased 414% to \$384.2 million in 2006 from 74.7 million in 2005. This is counter to the national trend which reported a 61% decrease in total net income.

SOURCE: Historical data (2004), Statistics Canada, Cat. No. 21-010, Agriculture Economic Statistics; Forecast figures for 2005 - 2007, Agriculture and Agri-Food Canada.

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February 15, 2007

Manitoba Outlook 2007:

- **Farm cash receipts** are projected to **increase by 7.3% to \$4.08 billion in 2007**.
- Receipts from crops are expected to increase by 42.3% to \$1.92 billion in 2007 primarily due to substantial gains in marketings for wheat, price and marketings for canola and marketings for potatoes.
- Livestock projections in 2007 are estimated at \$1.77 billion, down 2.8% from 2006 due to softening in the price and marketings for cattle and weaker hog prices.
- In 2007, direct payments are estimated at \$393.5 million, substantially down 38.2% from 2006 levels. Declines in Crop Insurance and CAIS payments are the major contributing factors.
- Further phasing-out of the Net Income Stabilization (NISA) program are expected to result in a 26.4% drop in payments for a total of \$34 million in 2007.
- Total operating expenses after rebates are expected to increase 3,8% in 2007. Rebates in 2007 are projected at \$10.9 million.
- Net cash income is estimated to increase by 31.1% in 2007, projected at \$623.8 million. After depreciation and inventory change allowances the total net income is expected to be \$196.1 million, down 49% due to a \$24.3 million drawdown in inventories.

Definitions:

- The forecasts are based on available market and industry information as at December 31, 2006 and a number of assumptions on economic and industry performance. Overall, the forecasts show Manitoba crop receipts increasing in 2006 and net farm income adversely affected with rising fuel and feed costs.
- Farm cash receipts measure the gross revenue of farm businesses and include revenues from the sales of crops and livestock products, program payments from government agencies and payments from private agricultural insurance programs.
- Farm operating expenses represent business costs incurred by farm businesses for goods and services used in the production of agricultural commodities.
- Net cash income represents the amount of cash generated by the farm business that is available for debt repayment, investment or withdrawal by the owner. It is a measure of gross farm revenue minus farm operating expenses.
- Realized net income includes net cash income minus depreciation plus income-in-kind. It represents the cash and non-cash financial flows that are attributable to the farm business and does not include changes in stocks.
- Total net income includes return to owner's equity, unpaid labour, management, risk and accounts for changes in the total value of inventories.

TABLE 1: FARM INCOME SUMMARY, MANITOBA, 2004-2007*

	2004**	2005R	2006R	2007P	07/06
	- million of dollars -				%
Crop Receipts	1,783.6	1,280.4	1,347.5	1,917.3	142
Livestock Receipts	1,638.8	1,819.5	1,818.3	1,768.0	97
Market Receipts	3,422.4	3,099.9	3,165.8	3,685.3	116
Total Payments ¹	430.3	698.7	637.1	393.5	62
Total Cash Receipts	3,852.7	3,798.6	3,802.9	4,078.8	107
Net Operating Expenses	3,139.0	3,090.9	3,327.2	3,455.1	104
Net Cash Income	713.7	707.7	475.7	623.8	131
Income-In-Kind	8.8	11.9	12.3	12.1	98
Depreciation Charges	404.3	410.5	407.4	415.5	102
Realized Net Income	318.3	309.1	80.5	220.4	274
Value of Inventory Change	-57.9	-234.4	303.7	-24.3	-
TOTAL NET INCOME	260.4	74.7	384.2	196.1	51

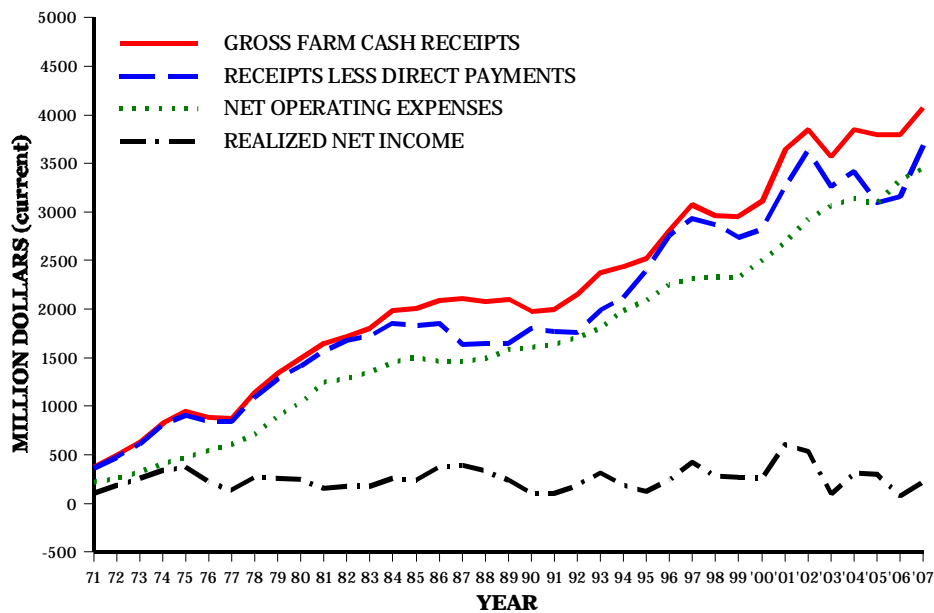
* Totals may not add due to rounding. R Revised P Preliminary E Estimated

** Data extracted from the November 24, 2006 Statistics Canada Farm Cash Receipts - Agriculture Economic Statistics 21-011-XWE and the Net Farm Income - Agriculture Economic Statistics 21-010-XWE releases.

¹ Includes gross payments directly paid to producers under Crop Insurance including private hail insurance, Dairy Subsidy, NISA and ad-hoc income support programs including Canada Farm Income Program, Canada/Manitoba Adjustment Program, AIDA, Manitoba Farm Disaster Assistance Programs and other payments. Program premiums or levies paid by producers are included in operating expenses.

FARM INCOME AND EXPENSES

1971-2007

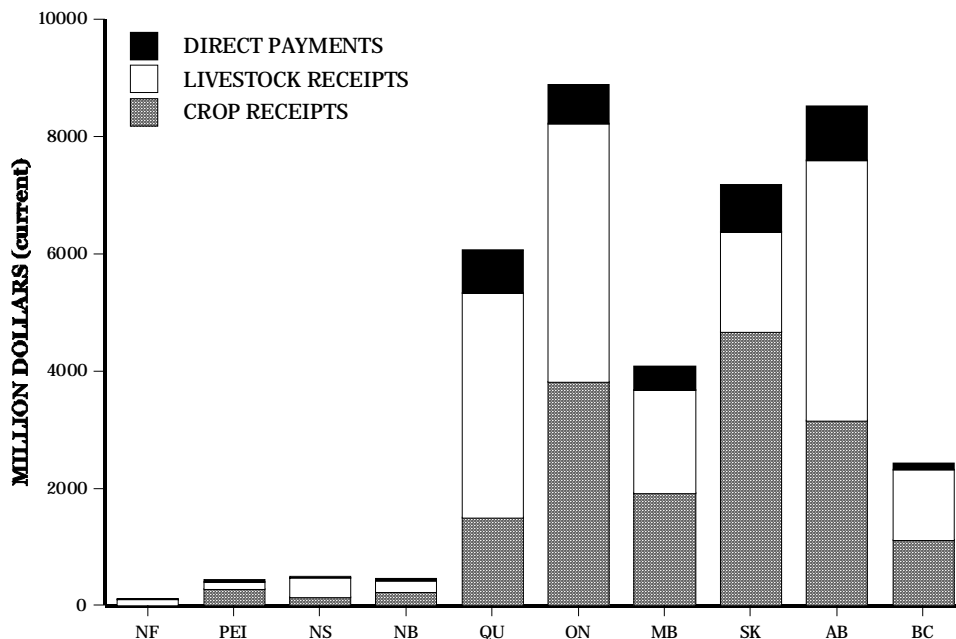


Source: Statistics Canada, AAFC

Knowledge Management, MAFRI

FARM CASH RECEIPTS BY PROVINCE

2007



Source: Statistics Canada, AAFC

Knowledge Management, Manitoba Agriculture, Food and Rural Initiatives

TABLE 2: FARM INCOME SUMMARY, PROVINCES, 2004-2007

	2004**	2005R	2006R	2007P	07/06
	million dollars				%
SASKATCHEWAN					
Crop Receipts	3,274.6	3,128.8	3,784.3	4,680.6	124
Livestock Receipts	1,485.4	1,803.2	1,768.0	1,694.8	96
Market Receipts	4,760.0	4,932.1	5,552.3	6,375.4	115
Total Payments ¹	1,189.7	1,323.2	1,206.1	809.4	67
Total Cash Receipts	5,949.7	6,255.3	6,758.5	7,184.8	106
Net Operating Expenses	5,010.8	5,153.6	5,221.2	5,442.2	104
Net Cash Income	938.8	1,101.7	1,537.3	1,742.6	113
Realized Net Income	32.1	195.7	646.3	839.2	130
Total Net Income	922.2	851.3	187.6	602.7	321
ALBERTA					
Crop Receipts	2,600.3	2,360.6	2,662.8	3,150.0	118
Livestock Receipts	3,980.9	4,363.1	4,617.6	4,450.0	96
Market Receipts	6,581.2	6,723.7	7,280.4	7,600.0	104
Total Payments ¹	1,442.7	1,117.0	909.0	926.4	102
Total Cash Receipts	8,023.9	7,840.7	8,189.4	8,526.5	104
Net Operating Expenses	6,191.4	6,443.6	6,754.5	7,061.3	105
Net Cash Income	1,832.5	1,397.1	1,434.8	1,465.1	102
Realized Net Income	733.8	273.3	309.6	310.0	100
Total Net Income	1,278.1	568.3	18.3	94.9	519
BRITISH COLUMBIA					
Crop Receipts	1,202.5	1,090.1	1,105.3	1,129.1	102
Livestock Receipts	1,011.7	1,173.4	1,213.1	1,193.8	98
Market Receipts	2,214.2	2,263.6	2,318.4	2,322.9	100
Total Payments ¹	187.6	120.2	100.2	101.9	102
Total Cash Receipts	2,401.7	2,383.8	2,418.6	2,424.9	100
Net Operating Expenses	1,946.1	2,038.7	2,065.0	2,123.0	103
Net Cash Income	455.6	345.1	353.6	301.8	85
Realized Net Income	202.0	86.5	88.9	27.4	31
Total Net Income	177.1	43.3	39.3	2.7	7
ONTARIO					
Crop Receipts	3,596.4	3,603.3	3,768.8	3,824.6	101
Livestock Receipts	4,346.1	4,512.1	4,435.7	4,398.8	99
Market Receipts	7,942.5	8,115.4	8,204.5	8,223.4	100
Total Payments ¹	674.4	820.4	671.4	656.3	98
Total Cash Receipts	8,617.0	8,935.8	8,875.9	8,879.7	100
Net Operating Expenses	7,328.3	7,484.9	7,815.2	7,982.4	102
Net Cash Income	1,288.6	1,451.0	1,060.6	897.3	85
Realized Net Income	244.5	383.7	-14.6	-200.3	-
Total Net Income	566.2	424.2	-120.0	-319.5	-
QUEBEC					
Crop Receipts	1,458.4	1,441.2	1,513.5	1,503.4	99
Livestock Receipts	4,012.1	4,000.6	3,843.7	3,824.6	100
Market Receipts	5,470.5	5,441.8	5,357.1	5,328.0	99
Total Payments ¹	834.8	749.3	860.0	744.5	87
Total Cash Receipts	6,305.2	6,191.1	6,217.1	6,072.5	98
Net Operating Expenses	5,048.1	4,944.5	5,116.1	5,303.9	104
Net Cash Income	1,257.2	1,246.7	1,101.0	786.6	71
Realized Net Income	716.0	666.1	545.4	204.2	37
Total Net Income	843.4	643.7	428.6	171.5	40
CANADA					
Crop Receipts	14,434.4	13,434.0	14,826.7	16,891.5	114
Livestock Receipts	17,161.7	18,380.5	18,406.6	18,073.6	98
Market Receipts	31,596.1	31,814.4	33,233.3	34,965.1	105
Total Payments ¹	4,862.3	4,943.4	4,454.7	3,710.7	83
Total Cash Receipts	36,458.4	36,757.8	37,688.1	38,675.8	103
Net Operating Expenses	29,814.5	30,334.3	31,540.9	32,658.1	104
Net Cash Income	6,643.9	6,423.5	6,147.2	6,017.7	98
Realized Net Income	2,271.1	1,948.6	1,701.5	1,477.6	87
Total Net Income	4,068.4	2,625.5	1,011.0	784.3	78

¹ See previous page for footnote.