

# FARM INCOME FORECAST, 2007<sup>P</sup> AND 2008<sup>E</sup>

## MANITOBA HIGHLIGHTS

### Situation 2007:

- **Manitoba farm cash receipts** are estimated at **\$4.250 billion in 2007**, an increase of 16% from \$3.674 billion in 2006.
- In 2007, crop cash receipts increased sharply by 63% to \$2.103 billion from \$1.287 billion in 2006. This increase was led by strong performance in the feed grains and strengthening markets for canola, soy and flax.
- Livestock receipts were estimated at \$1.735 billion in 2007, a slight drop of -1% from \$1.760 billion in 2006. A near 6% drop in hog receipts has been tempered by a minor increase in cattle receipts and static movement in the dairy sector.
- Direct payments to Manitoba producers totalled \$412.8 million in 2007, a 34% drop from \$626.1 million in 2006, mainly due to improved performance in grains and oilseeds.
- Total farm operating expenses after rebates were \$3.581 billion in 2007, up 10% from 2006, 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 \$669.8 million for 2007, up 63% from \$411.3 million in 2006. Realized net income after depreciation was \$270.4 million in 2007, up significantly from \$14.6 million in 2006. Total net income decreased 76% to \$71.7 million in 2007 from \$298.5 million in 2006, due to a draw-down of crop sector inventories.
- Overall, the forecasts show strong gains in Manitoba crop receipts offsetting losses in the livestock sector, particularly hogs as well as continued rising fuel and feed costs.

**SOURCE:** Historical data (2005), Statistics Canada, Cat. No. 21-010, Agriculture Economic Statistics; and Forecast figures for 2006 - 2008, Agriculture and Agri-Food Canada.

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## Manitoba Outlook 2008:

- **Farm cash receipts** are projected to **increase by 7% to \$4.55 billion in 2008.**
- Receipts from crops are expected to increase by 16% to \$2.44 billion in 2008 primarily led by wheat, barley and canola.
- Livestock projections for 2008 are estimated at \$1.72 billion, down 1% from 2007 due to continued softening in cattle and hog prices. Net returns to hog producers are expected to be in the negative as price pressures continue to influence the overall industry. Export demand for hogs in the US remains uncertain and has the potential of further pressuring hog prices.
- In 2008, direct payments are estimated at \$400.6 million, down 3% from 2007, with declines in CAIS payments to grain producers and increased payments through new programs: Cost of Production Payment (COP), AgriStability, AgriInvest and Kickstart.
- Further phasing-out of the Net Income Stabilization (NISA) program is expected to result in a 24% drop in payments for a total of \$31 million in 2008.
- Total operating expenses after rebates are expected to rise 4% in 2008 to \$3.72 billion.
- Net cash income is estimated to increase by 24% in 2008, projected at \$831.7 million. After depreciation and inventory change allowances the total net income is expected to be \$436.8 million, up 509% due to a rebuilding of 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, 2005-2008\*

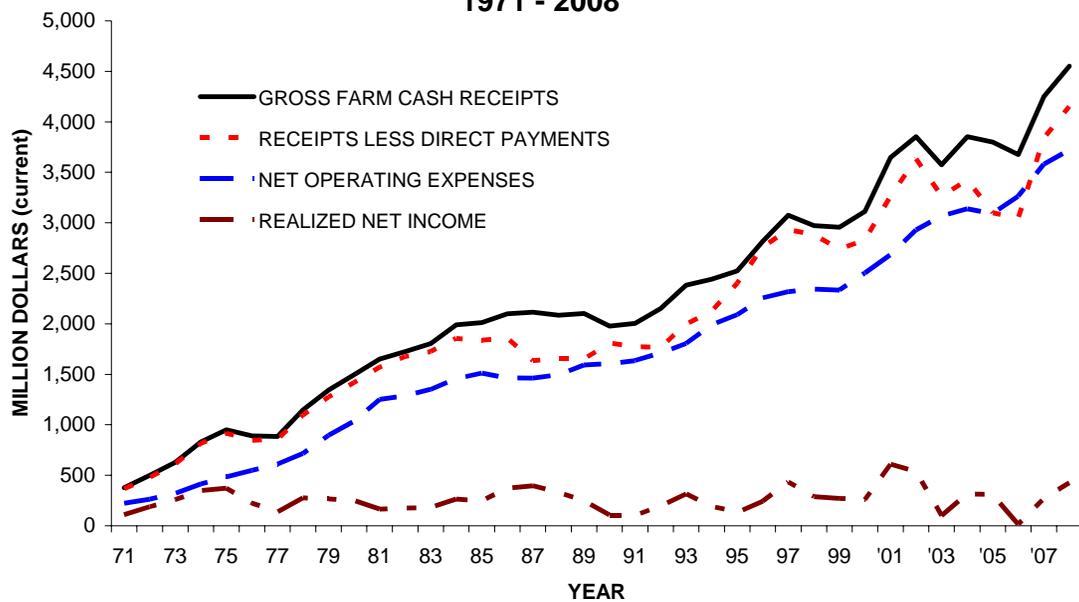
	2005**	2006 <sup>R</sup>	2007 <sup>R</sup>	2008 <sup>P</sup>	08/07
	- million of dollars -				%
Crop Receipts	1,284.1	1,288.6	2,102.6	2,436.1	116
Livestock Receipts	1,804.9	1,760.1	1,734.9	1,715.3	99
Market Receipts	3,089.0	3,048.7	3,837.5	4,151.4	108
Total Payments <sup>1</sup>	698.7	626.1	412.8	400.6	97
<b>Total Cash Receipts</b>	<b>3,787.8</b>	<b>3,674.7</b>	<b>4,250.4</b>	<b>4,552.0</b>	<b>107</b>
<b>Net Operating Expenses</b>	<b>3,054.4</b>	<b>3,263.5</b>	<b>3,580.6</b>	<b>3,720.4</b>	<b>104</b>
<b>Net Cash Income</b>	<b>733.4</b>	<b>411.3</b>	<b>669.8</b>	<b>831.7</b>	<b>124</b>
Income-In-Kind	8.0	7.3	7.8	7.5	95
Depreciation Charges	408.9	404.0	407.3	414.7	102
<b>Realized Net Income</b>	<b>332.5</b>	<b>14.6</b>	<b>270.4</b>	<b>424.4</b>	<b>157</b>
Value of Inventory Change	-225.4	283.9	-198.7	12.4	-
<b>TOTAL NET INCOME</b>	<b>107.2</b>	<b>298.5</b>	<b>71.7</b>	<b>436.8</b>	<b>609</b>

\* Totals may not add due to rounding. <sup>R</sup> Revised <sup>P</sup> Preliminary <sup>E</sup> Estimated

\*\* Data extracted from the November, 2007 Statistics Canada Catalogue No. 21-010-X release.

<sup>1</sup> 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.

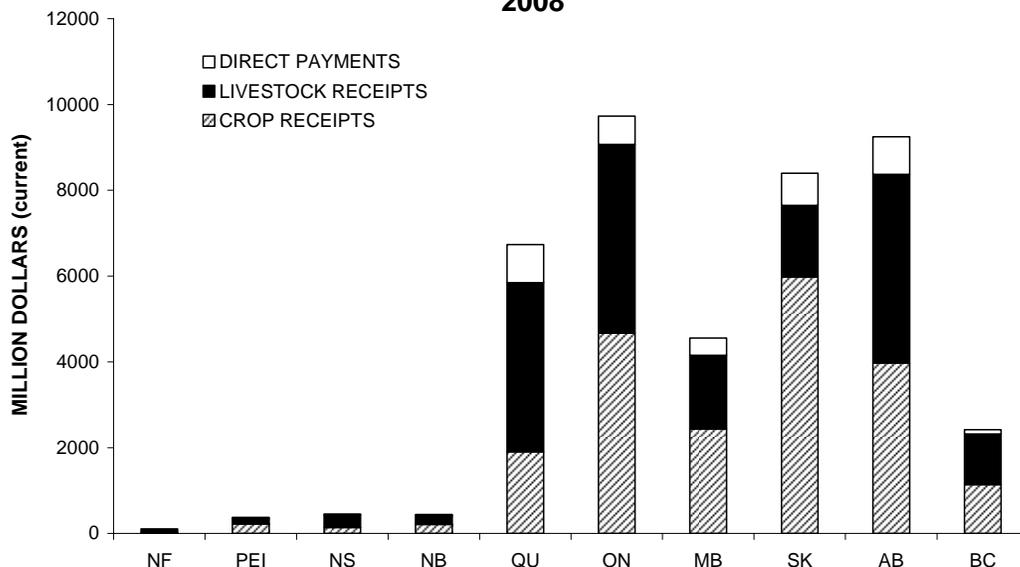
### FARM INCOME AND EXPENSES 1971 - 2008



Source: Statistics Canada, AAFC.

Knowledge Management, Manitoba Agriculture, Food and Rural Initiatives

### FARM CASH RECEIPTS BY PROVINCE 2008



Source: Statistics Canada, AAFC.

Knowledge Management, Manitoba Agriculture, Food and Rural Initiatives

**TABLE 2: FARM INCOME SUMMARY, PROVINCES, 2005-2008**

	2005**	2006 <sup>R</sup>	2007 <sup>R</sup>	2008 <sup>P</sup>	08/07
	million dollars				%
<b>SASKATCHEWAN</b>					
Crop Receipts	3,106.6	3,647.5	5,070.4	5,979.1	118
Livestock Receipts	1,791.5	1,714.5	1,709.4	1,669.8	98
Market Receipts	4,898.1	5,362.0	6,779.7	7,648.9	113
Total Payments <sup>1</sup>	1,323.2	1,267.2	908.1	750.0	83
Total Cash Receipts	6,221.4	6,629.2	7,687.9	8,399.0	109
Net Operating Expenses	5,273.3	5,374.5	5,871.1	6,160.9	105
Net Cash Income	948.1	1,254.7	1,816.7	2,238.1	123
Realized Net Income	44.7	361.8	916.8	1,321.3	144
Total Net Income	672.9	-230.6	525.3	1,657.5	316
<b>ALBERTA</b>					
Crop Receipts	2,372.4	2,582.0	3,396.9	3,971.2	117
Livestock Receipts	4,342.6	4,285.3	4,431.8	4,397.7	99
Market Receipts	6,715.0	6,867.4	7,828.7	8,368.9	107
Total Payments <sup>1</sup>	1,117.0	945.1	909.9	877.6	96
Total Cash Receipts	7,831.9	7,812.5	8,738.6	9,246.5	106
Net Operating Expenses	6,469.7	6,715.0	7,384.2	7,561.8	102
Net Cash Income	1,362.1	1,097.5	1,354.4	1,684.7	124
Realized Net Income	234.9	-39.9	188.5	491.0	260
Total Net Income	532.3	-359.3	-252.8	764.5	-
<b>BRITISH COLUMBIA</b>					
Crop Receipts	1,099.4	1,072.4	1,096.5	1,141.7	104
Livestock Receipts	1,185.6	1,155.7	1,159.2	1,179.8	102
Market Receipts	2,285.0	2,228.1	2,255.7	2,321.5	103
Total Payments <sup>1</sup>	120.2	105.1	110.6	96.3	87
Total Cash Receipts	2,405.2	2,333.2	2,366.3	2,417.8	102
Net Operating Expenses	2,039.5	2,090.2	2,236.9	2,329.3	104
Net Cash Income	365.6	243.0	129.4	88.5	68
Realized Net Income	106.9	-23.9	-142.0	-192.8	-
Total Net Income	62.8	-71.1	-132.9	-172.5	-
<b>ONTARIO</b>					
Crop Receipts	3,632.4	3,837.0	4,219.2	4,668.2	111
Livestock Receipts	4,469.7	4,363.8	4,439.6	4,398.0	99
Market Receipts	8,102.1	8,200.8	8,658.8	9,066.3	105
Total Payments <sup>1</sup>	800.5	662.1	585.6	663.3	113
Total Cash Receipts	8,902.5	8,862.9	9,244.4	9,729.6	105
Net Operating Expenses	7,478.5	7,705.1	8,090.9	8,312.3	103
Net Cash Income	1,424.0	1,157.9	1,153.5	1,417.3	123
Realized Net Income	347.5	81.5	57.6	296.6	515
Total Net Income	341.8	-48.8	-172.9	166.6	-
<b>QUEBEC</b>					
Crop Receipts	1,440.7	1,497.7	1,661.8	1,905.3	115
Livestock Receipts	3,994.8	3,849.5	3,919.2	3,941.7	101
Market Receipts	5,435.5	5,347.1	5,581.0	5,847.0	105
Total Payments <sup>1</sup>	749.3	851.0	976.3	888.6	91
Total Cash Receipts	6,184.8	6,198.1	6,557.3	6,735.6	103
Net Operating Expenses	5,006.4	5,195.3	5,641.0	5,820.6	103
Net Cash Income	1,178.4	1,002.8	916.3	915.0	100
Realized Net Income	597.0	441.6	342.8	330.5	96
Total Net Income	546.5	348.4	458.0	223.4	49
<b>CANADA</b>					
Crop Receipts	13,463.7	14,522.9	18,123.7	20,691.1	114
Livestock Receipts	18,296.8	17,833.9	18,110.8	18,010.6	99
Market Receipts	31,760.5	32,356.8	36,234.6	38,701.7	107
Total Payments <sup>1</sup>	4,923.4	4,526.9	3,979.7	3,757.1	94
Total Cash Receipts	36,683.9	36,883.7	40,214.3	42,458.8	106
Net Operating Expenses	30,498.0	31,568.1	34,096.5	35,240.7	103
Net Cash Income	6,185.9	5,315.6	6,117.8	7,218.0	118
Realized Net Income	1,697.4	843.5	1,568.2	2,567.9	164
Total Net Income	2,286.4	-5.6	438.9	3,003.6	684

<sup>1</sup> See previous page for footnote.