

Alberta Farm Income in 2008

Farm Cash Receipts

Alberta's total farm cash receipts (FCR) increased substantially in 2008, to a new industry high of \$10.0 billion. FCR is the sum of crop and livestock market receipts plus program payments to producers. The record receipts were 15.5 per cent higher than in 2007, and 26.9 per cent above the five-year average (2003-2007). Fuelling the growth were record crop market receipts and higher program payments, which more than offset a marginal decline in livestock market receipts. Alberta's total farm market receipts (FCR excluding program payments) increased 14.3 per cent from 2007, to a new all-time high of \$8.9 billion.

Crop market receipts jumped 33.1 per cent from 2007, to a record \$4.6 billion. The increase was driven mainly by stronger prices for most major crops. Showing significant gains in receipts to new record highs were canola and wheat (including durum). Canola receipts rose by 53.4 per cent from a year earlier, to \$1.9 billion, while wheat receipts (including durum) gained 41.3 per cent from 2007, to \$1.8 billion. Also, setting a new record high in 2008 were receipts for dry peas, which were up 8.1 per cent from last year, to \$122.1 million. Increasing as well, were receipts for barley, up 3.7 per cent, to \$331.0 million, and potatoes, which rose to \$154.8 million, or up 11.2 per cent from 2007.

Livestock market receipts fell marginally, by 0.9 per cent, from 2007, to \$4.2 billion in 2008. The decline in livestock receipts was attributed mainly to a drop in receipts for cattle and calves and hogs, as a result of generally lower marketings and prices. Cattle and calf receipts decreased by 1.9 per cent, to \$3.0 billion, but remained 4.9 per cent above the five-year average (2003-2007). Hog receipts fell for the fourth consecutive year, to \$397.4 million, down 7.9 per cent. In the supply-managed sector, dairy and poultry receipts climbed to new industry highs in 2008, fuelled by stronger prices and marketings. Dairy receipts climbed 7.6 per cent, to a record \$459.3 million. Poultry receipts (hens, chickens and turkeys), rose 16.3 per cent, to \$209.8 million. Also showing gains were egg receipts, which increased by 14.7 per cent, to \$50.3 million.

Direct Program Payments

Direct program payments to Alberta producers increased in 2008, rising 25.5 per cent from 2007, to \$1.1 billion. The increase in payments was supported by higher payments under the Canadian Agricultural Income Stabilization Program (CAIS), which includes programs such as the CAIS Inventory Transition Initiative and the Alberta Farm Recovery Plan and Growing Forward programs (including AgriStability), rose by 39.3 per cent, to \$695.9 million, and by Crop and Hail Insurance, increasing by 30.8 per cent, to \$344.6 million. Crop and Hail Insurance payments increased by 30.8 per cent to \$344.6 million, due to higher claims. The Net Income Stabilization Account (NISA) withdrawals fell 13.8 per cent, to \$48.9 million.

Farm Operating Expenses and Net Farm Income

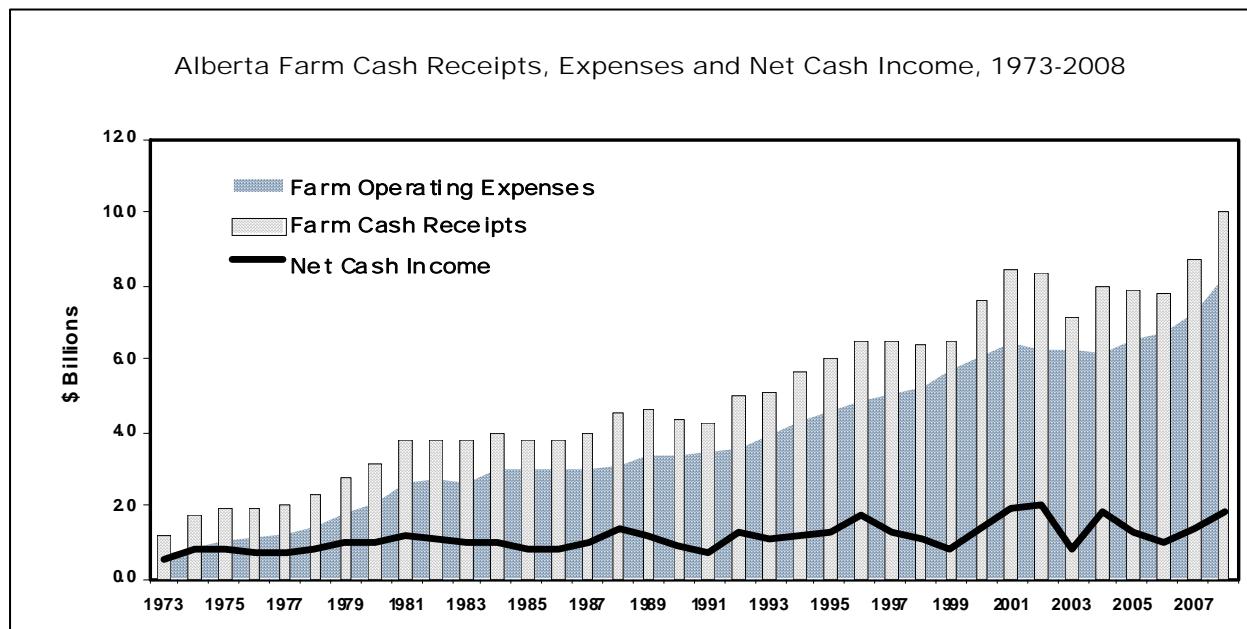
In 2008, Alberta producers spent an estimated \$8.3 billion in farm operating expenses (net of rebates), setting a new record high and, up 12.8 per cent from 2007. In particular, fertilizer and lime expenses jumped 48.0 per cent to \$1.2 billion, due to a sharp increase in price. Other notable increases included expenses on commercial feed which rose 13.6 per cent to \$1.3 billion, and machinery fuel and repairs, up 14.6 per cent, to \$1.2 billion. However, there was a decline in livestock and poultry purchases which fell by 4.2 per cent, to \$656.4 million.

Alberta's farm income situation showed a marked improvement in 2008, compared to 2007. As a result of the record FCR more than offsetting the record expenses, the province's net cash income (or FCR less farm operating expenses) increased 29.8 per cent from 2007, to \$1.8 billion, the fourth highest on record. After adjusting net cash income for depreciation (a non-cash cost of \$1.3 billion), the resulting realized net income (RNI) was substantially improved at \$451.6 million, up from \$108.5 million in 2007. Also, total net income (which adjusts RNI for value of inventory change) jumped to \$1.2 billion, from negative \$194.4 million a year earlier.

Farm Debt and Capital Values

Alberta's total farm debt outstanding on December 31, 2008 was \$12.7 billion, up 7.4 per cent from a year earlier. Chartered banks were owed \$5.5 billion (43.4 per cent of the total farm debt), rising 6.3 per cent from 2007. The next largest group of lenders consisted of federal government agencies such as Farm Credit Corporation and Business Development Bank of Canada. This group was owed \$2.9 billion (22.6 per cent of total farm debt), increasing 16.5 per cent from 2007. Provincial government agencies such as Agriculture Financial Services Corporation followed with a total of \$2.4 billion in loans to Alberta producers (18.9 per cent of total farm debt), up 2.4 per cent from a year ago. Credit Unions were also a source of credit, accounting for \$729.4 million in loans to farmers (5.8 per cent of total farm debt), up 0.7 per cent from 2007. Other lenders, including insurance and trust companies, were owed a total of \$964.0 million, down 1.1 per cent from a year ago (7.6 per cent of total farm debt).

The total value of farm capital (land and buildings, machinery and equipment, and livestock and poultry), at July 1, reached a new record high in 2008, of \$87.3 billion. Since 1993, farm capital value has steadily increased, and was up 10.7 per cent from 2007. The increase was attributed to all-time highs in the value of land and buildings, along with machinery and equipment, which more than offset a decline in the value of livestock and poultry. The value of land and buildings increased 14.2 per cent, to \$72.8 billion, while the value of machinery and equipment rose 2.9 per cent, to \$10.1 billion. The value of livestock and poultry fell to \$4.4 billion, down 16.7 per cent from 2007.



Source: Statistics Canada; and Alberta Agriculture and Rural Development, Statistics and Data Development Branch