

Year In Review, 2008

In 2008, Alberta's agriculture and food and beverage industries experienced overall positive conditions. Farm cash receipts set a new record, supported mainly by an all-time high for crop market receipts, as well as increased program payments. However, costs for some inputs such as fertilizer, commercial feed, and machinery fuel and repairs, rose significantly, dampening net farm income. Food and beverage manufacturing sales set a new industry record. Agri-food exports also reached a new high, driven mainly by high prices for grains and oilseeds. Total production of principal field crops set a new record, driven by excellent yields and increased harvested acreage. Crop prices continued to rally, driven by tight supplies and increased demand. In the livestock sector, inventories (as of July 1, 2008) for cattle and calves, pigs, and sheep and lambs decreased. Alberta remained the lead province in cattle production and red meat (excluding poultry) manufacturing. The following are brief commentaries on various sections of this Yearbook. **For detailed commentaries, users are advised to refer to the Yearbook individual sections.**

Farm Income¹

Alberta's total farm cash receipts (FCR), the sum of crop and livestock market receipts plus program payments to producers, in 2008 was a record \$10.0 billion, up 15.5 per cent from 2007. Total FCR were fuelled by record crop market receipts and higher program payments, which more than offset a marginal decline in livestock receipts. Also, the record market receipts for crops resulted in a marked increase in total farm market receipts (FCR excluding program payments), which rose 14.3 per cent to \$8.9 billion, a new industry high.

Crop market receipts jumped 33.1 per cent from 2007, to a record \$4.6 billion, mainly driven by stronger prices for most major crops. Showing significant gains in receipts, to new record highs, were canola and wheat (including durum), reaching \$1.9 billion and \$1.8 billion, respectively. In the livestock sector, total market receipts decreased marginally by 0.9 per cent, to \$4.2 billion. The decline in livestock receipts was attributed mainly to a decline in receipts for cattle and calves and hogs, as a result of generally lower marketings and prices. However, in the supply-managed sector, dairy and poultry receipts climbed to new industry highs in 2008.

Direct program payments to producers in 2008 increased 25.5 per cent from a year earlier, to \$1.1 billion. The increase in payments was supported by higher payments under the Canadian Agricultural Income Stabilization Program (CAIS), Growing Forward Programs, and Crop and Hail Insurance Programs. These payment increases more than offset declines in Net Income Stabilization Account withdrawals and other programs.

Alberta producers spent a record \$8.3 billion in farm operating expenses in 2008. This was up 12.8 per cent from a year earlier, and resulted from some markedly higher input costs such as fertilizer and lime (up 48.0 per cent), commercial feed (up 13.6 per cent), and machinery fuel and repairs (up 14.6 per cent). Due to the record FCR, which more than offset the record operating expenses, net cash income (or FCR less farm operating expenses) increased 29.8 per cent, to \$1.8 billion. After adjusting for depreciation (a non-cash cost of \$1.3 billion), the resulting realized net income (RNI) substantially improved to \$451.6 million, from \$108.5 million in 2007. As well, total net income, which adjusts RNI for value of inventory change, jumped to \$1.2 billion (negative \$194.4 million in 2007).

Economic Indicators

In 2008, the primary agriculture industry accounted for \$4.7 billion or 2.6 per cent of Alberta's real Gross Domestic Product, up 6.3 per cent from 2007. This segment of the economy consists of the crop and animal production sectors (including mixed farming operations), along with the support sector made up of establishments primarily engaged in providing services for growing crops and raising farm animals. The number of Albertans employed in the primary agriculture industry and the food and beverage manufacturing industry in 2008 totalled 85,500, up 11,800 or 16.0 per cent from 2007. Employment in primary agriculture increased 21.0 per cent to 61,000, while employment in food and beverage manufacturing rose 5.2 per cent to 24,500. The annual all-items Consumer Price Index for Alberta, a measure of overall inflation, grew 3.1 per cent from 2007, while the Canadian dollar experienced a marginal gain of 0.6 per cent, against the United States dollar.

Food and Beverage Manufacturing

Alberta's food and beverage processing industry in 2008 generated a record \$11.7 billion in sales, or 16.7 per cent of the total value of sales for all goods manufactured in the province. As well, food and beverage processing remained the province's third largest manufacturing industry, after petroleum and coal products (24.3 per cent) and chemicals industries (18.9 per cent). The record sales in 2008 represented a 17.7 per cent increase from a year earlier. Activity in the industry continued to be dominated by meat product processing (livestock and poultry slaughtering, processing and rendering). This sector accounted for \$5.6 billion or 48.1 per cent of total food and beverage sales. Other major sectors were grain and oilseed milling (\$1.7 billion or 14.8 per cent of total sales) and beverage manufacturing (\$776.8 million or 6.6 per cent of total sales). The remaining \$3.6 billion (30.5 per cent) consisted of sales of animal food and feed, dairy products, bakeries and

(1) For detailed definitions of terms, see page 5.

tortilla manufacturing, sugar and confectionery products, fruit and vegetable preserving, seafood products, specialty foods, and other manufactured food products (including snack foods).

Canadian food and beverage sales, in 2008, totalled \$87.6 billion. This set a new industry record and was 9.2 per cent higher than in 2007. The provinces of Ontario (40.6 per cent), Quebec (24.3 per cent), and Alberta (13.3 per cent) were the leading contributors to the record sales. Sales of beverage products fell by 4.7 per cent to \$9.5 billion, while sales of food products rose 11.2 per cent to \$78.1 billion. Alberta remained the top producer of red meat products (excluding poultry) with \$4.4 billion in sales, or 43.2 per cent of the national total of \$10.1 billion.

Agri-Food Exports

Alberta exports of primary and processed agricultural and food products reached a record high in 2008. The total value of these exports was \$8.1 billion, up 25.6 per cent from 2007. The province remained a leading agri-food exporter among Canada's provinces, accounting for just over one-fifth of the national total (\$39.2 billion), and surpassed only by Saskatchewan and Ontario. The leading export destinations for Alberta agri-food products included the United States (\$3.2 billion or 39.1 per cent of total exports), Japan (\$1.2 billion or 14.7 per cent), China (\$638.8 million or 7.8 per cent), Mexico (\$618.0 million or 7.6 per cent), and Indonesia (\$175.0 million or 2.1 per cent).

An increase in the export value of primary commodities (animals and crops) was the main reason behind the 2008 record. The value for commodity exports, driven mainly by stronger grains and oilseeds prices (particularly for wheat and canola seed), grew 33.6 per cent to \$4.8 billion. Additionally, exports of value added products (foods, beverages and food by-products) increased 15.6 per cent to \$3.3 billion. Major agri-food exports in 2008 included wheat (\$2.1 billion), canola seed (\$1.6 billion), beef and veal (\$1.1 billion), live cattle (\$542.8 million), pork (\$342.1 million), and crude canola/mustard oil (\$255.0 million).

Livestock

The size of the cattle and calf herd, in Alberta, was estimated at 6.0 million head as of July 1, 2008, down 6.2 per cent from a year earlier. The decrease was largely attributed to a number of factors including high feed grain costs, the continued strength of the Canadian dollar and strong marketings of animals. Also, as of July 1, 2008, there were an estimated 1.7 million pigs on Alberta farms, down 15.8 per cent from 2007 as inventories of all categories declined. The continued restructuring of the Canadian hog slaughter industry, along with producer enrollment in the Cull Breeding Swine Program contributed to the decline. Sheep and lambs numbers on Alberta farms were down, for the sixth consecutive time on a "year-over-year" basis, to 185,000 head or 9.8 per cent below the July 1, 2007 estimate. Among provinces, Alberta ranked first in cattle and calves inventory, fourth in hog inventory, and third in sheep and lamb inventory. The declining herd numbers were not unique to Alberta, as national inventories also declined for cattle, hogs and sheep.

The preliminary number of cattle and calves slaughtered in federally and provincially inspected plants in Alberta totalled 2.3 million head in 2008, up 4.7 per cent from 2007. In contrast, federally and provincially inspected hog slaughter fell 8.0 per cent from 2007, to 2.7 million head. Alberta accounted for 66.5 per cent of total Canadian cattle slaughter, excluding calves (3.5 million head), and 12.6 per cent of total Canadian hog slaughter (21.5 million head). Prices in 2008 were stronger for all classes of slaughter cattle, compared to a year earlier. For example, average slaughter steer price increased 0.1 per cent, to \$88.57 per cwt. Hog prices were also up, following three consecutive annual declines. The average index 100 Alberta hog price rose to \$1.25 per kg, up 2.2 per cent from 2007. Preliminary estimates for the province's beekeeping industry show that there were 240,000 colonies in 2008, up 1.3 per cent from 237,000 in 2007. Total honey production was estimated at 9,800 tonnes, down substantially from 13,119 tonnes in 2007.

Crops

In 2008, Alberta's total production of principal field crops was a record 30.3 million tonnes or 12.9 per cent higher than in 2007, and 29.2 per cent above the ten-year average (1998-2007). The record production stemmed from excellent yields and increased harvested acreage for most crops. Growing conditions during the 2008 crop season were generally favorable, despite some delays in seeding and crop emergence that was caused by cool spring temperatures. In addition, local and international grains and oilseeds markets were very strong in 2008, until the fall when the international financial crisis began. Among the top three grains and oilseeds, total marketings for all wheat were down 8.7 per cent to 6.2 million tonnes, while barley marketings fell 22.6 per cent to 1.5 million tonnes largely as a result of lower production in 2007. However, canola seed marketings rose 17.8 per cent to 3.8 million tonnes. Producer prices for most crops strengthened during the year, resulting in a marked increase for Alberta's total crop price index, which jumped 24.9 per cent from 2007.² Specifically, the average price of all wheat increased to \$7.81 per bushel (\$5.03 in 2007), while the average price of barley jumped to \$4.57 per bushel (\$3.61 in 2007) and the average price of canola rose to \$11.25 per bushel (\$8.50 per bushel in 2007).

(2) Statistics Canada, Catalogue No. 21-007-X, Farm Product Price Index, May 2009, page 10.