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Canadian agriculture in 2005: a tough year in review

June 2006

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Special thanks to: John Flanders and Josée Bourdeau.

Symbols

The following standard symbols are used in Statistics Canada publications:

.	not available for any reference period
..	not available for a specific reference period
...	not applicable
^p	preliminary
^r	revised
x	suppressed to meet the confidentiality requirements of the <i>Statistics Act</i>
A	excellent
B	very good
C	good
D	acceptable
E	use with caution
F	too unreliable to be published

Agriculture in 2005: A perspective

The major challenge for Canadian agriculture in 2005 was the sharp drop in net income of many farmers. Events such as bovine spongiform encephalopathy (BSE), floods, frost, low grain prices, and high energy prices took their financial toll. Farmers are raising public attention to the plight of agriculture through numerous public meetings and rallies across the country.

Record breaking canola, corn, and soybean production in Canada in 2005 came at a time when world production and inventories were also at high levels resulting in sharp declines in international prices. As well, spring floods in parts of Manitoba devastated crop production for many farmers.

A major event for Canada's livestock sector was the opening of the U.S. border to imports of Canadian cattle and calves (under 30 months of age) in July 2005 following the 26-month ban due to BSE. Canadian domestic and export cattle prices improved with the resumption of North American trade for these younger animals, but remained well below the previous five-year average (2000 to 2004). The economic value of older and cull animals continued to be severely impacted as they had to be marketed only in Canada.

While it is impossible to cover all the agricultural events of 2005 in this review, it is our intention to provide a brief overview with the goal to put into perspective this complex and changing Canadian agricultural industry – from farm gate to consumer.

An overview of the agricultural industry

► Employment

Just over 350,000 Canadians are employed on Canadian farms, about 2% of the Canadian labour force. The farm population of approximately 727,000 represents 2% of the Canadian population and about 12% of the rural population.

The Canadian food and beverage processing industry directly employs another 287,000 people, 14% of the total manufacturing employment. Food processing is Canada's second largest manufacturing industry after transportation equipment manufacturing.

► Economic Activity

Canada is a mature economy in respect to the overall contribution of agriculture to the Gross Domestic Product (GDP). Together the food and agriculture industries¹ represent about 8% of Canadian GDP. Canadian agricultural exports and imports each represent about 2% of GDP.

1. Including farm input supply, primary production, food processing, food wholesale/retail and food service.

Canadian GDP represents 2% of total world GDP, and Canada's population 0.5% of the world's population. Canadians produce just over 1% of the world's food and consume 0.6% of world food production (FAO, 2005).

The sales of primary agricultural products in Canada peaked at nearly \$41 billion in 2002, double the levels of 15 years ago. Increased sales of Canadian agricultural products are closely associated with the rise in agricultural exports given the implementation of the North American Free Trade Agreement (NAFTA) in 1990.

► Resource management

Canada has 46 million hectares of arable land in agriculture, 5% of Canada's total area of 922 million hectares. Canadian farmland amounts to just over 3% of the 1.4 billion hectares of total arable land in the world (FAO, 2005). Canada has the seventh largest arable agricultural land area in the world following the United States (13%), India (12%), China (10%), Russia (9%), Brazil (4%) and Australia (4%).

Many Canadian farmers have prepared environmental management plans which identify farming operational requirements in balance with good environmental stewardship. Good stewardship of land and water by farmers has always been important, but society's demands for protection of natural resources, both domestically and internationally, have led to an enhanced focus.

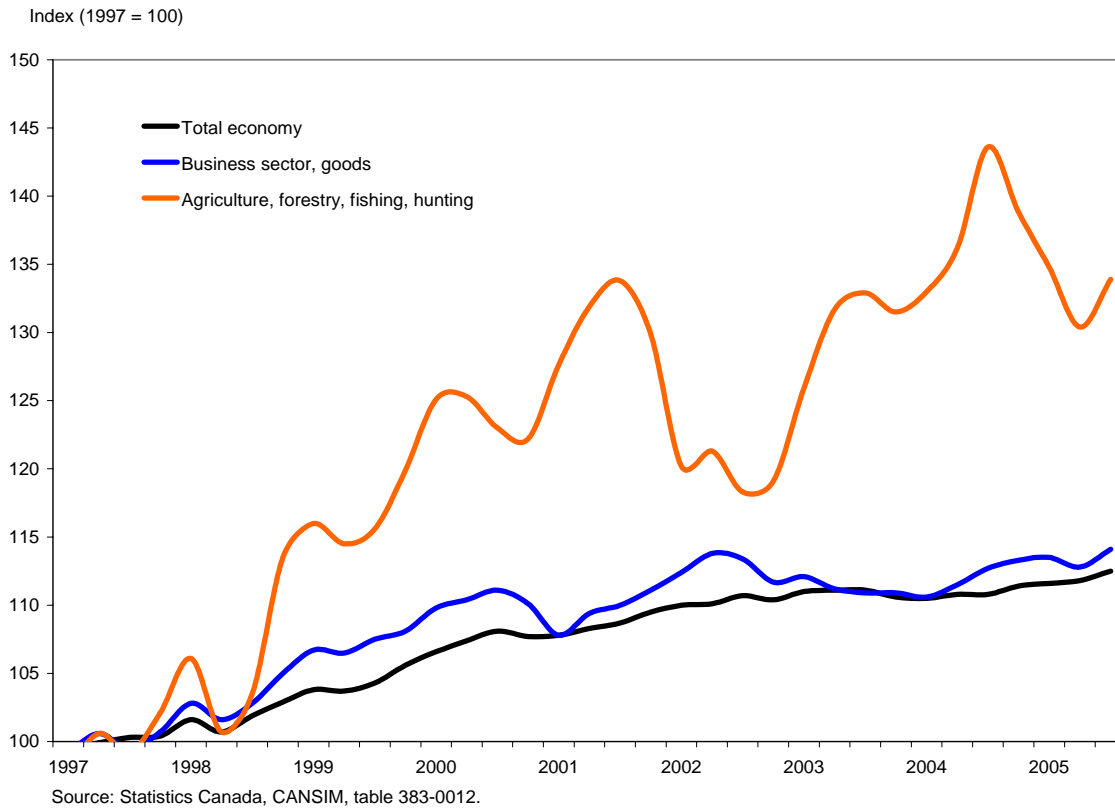
► Productivity

Labour productivity is measured as the ratio of real GDP to hours worked. In the agricultural sector², labour productivity increased at an annual average rate of just under 6% between 1997 and 2002, the fastest rate of all major industrial sectors and nearly three times the national average. This productivity gain can be attributed to farmers embracing new labour-saving and output-enhancing technologies. During this period, food manufacturing productivity grew at an annual rate of 2%, comparable to the overall national average.

In 2002, labour productivity of the agricultural sector dropped sharply due primarily to the back-to-back droughts in the Prairie provinces in 2001 and 2002 which significantly reduced crop production. More recently, the agricultural labour productivity was strong in 2004 but dipped in 2005 as market prices for many commodities dropped.

2. Includes agriculture, forestry, fishing and hunting.

Figure 1 Labour productivity of Canada's agricultural industry outperforms rest of the economy



Numbers of tractors per thousand hectares are an interesting statistic and provide some insights on productivity. Canada has 16 tractors per thousand hectares, the fewest tractors per thousand hectares of all the G-7 countries. The United States reports 27, France 69, Germany 80, United Kingdom 87, Italy 200, and Japan, the world record holder, a whopping 459 tractors per thousand hectares (FAO, 2005). This illustrates the extensification, as opposed to the intensification, of Canadian agriculture. Canadian farms are relatively large with machines that can farm more hectares per machine.

Farm finance

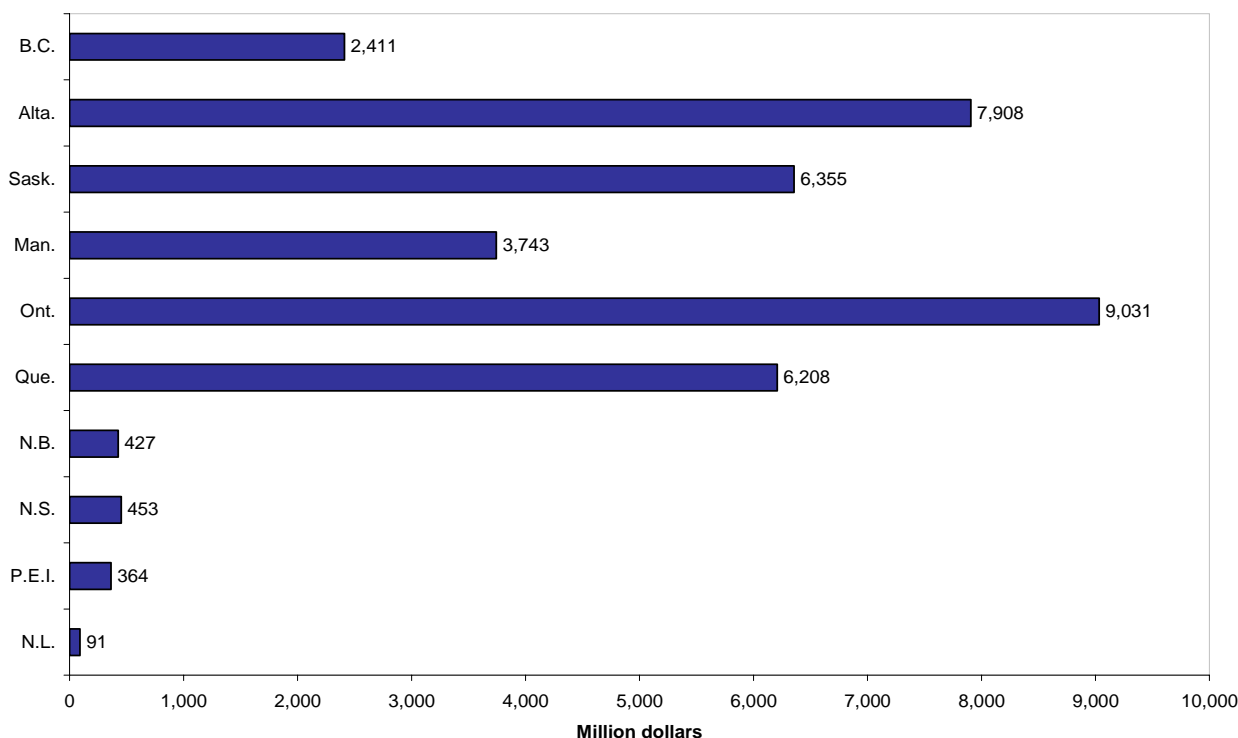
► Farm cash receipts rise in 2005, but realized net income drops

Canadian total farm cash receipts in 2005 increased 1% over 2004 to \$37 billion. Higher revenues from cattle and calves more than offset a decline in revenues from crops and hogs.

Farm operating expenses rose 2% nationally and were 6% above the previous five-year average. Almost two-thirds of the increase in gross operating expenses came from record high fuel costs, which were 20% above the levels in 2004.

Realized net income — the difference between a farmer’s cash receipts and operating expenses minus depreciation plus income in kind — declined nearly 8% to just over \$2 billion. This figure was 8% below the previous five-year average.

Figure 2 Farm cash receipts by province, Canada, 2005



Source: Statistics Canada, CANSIM, table 002-0002.

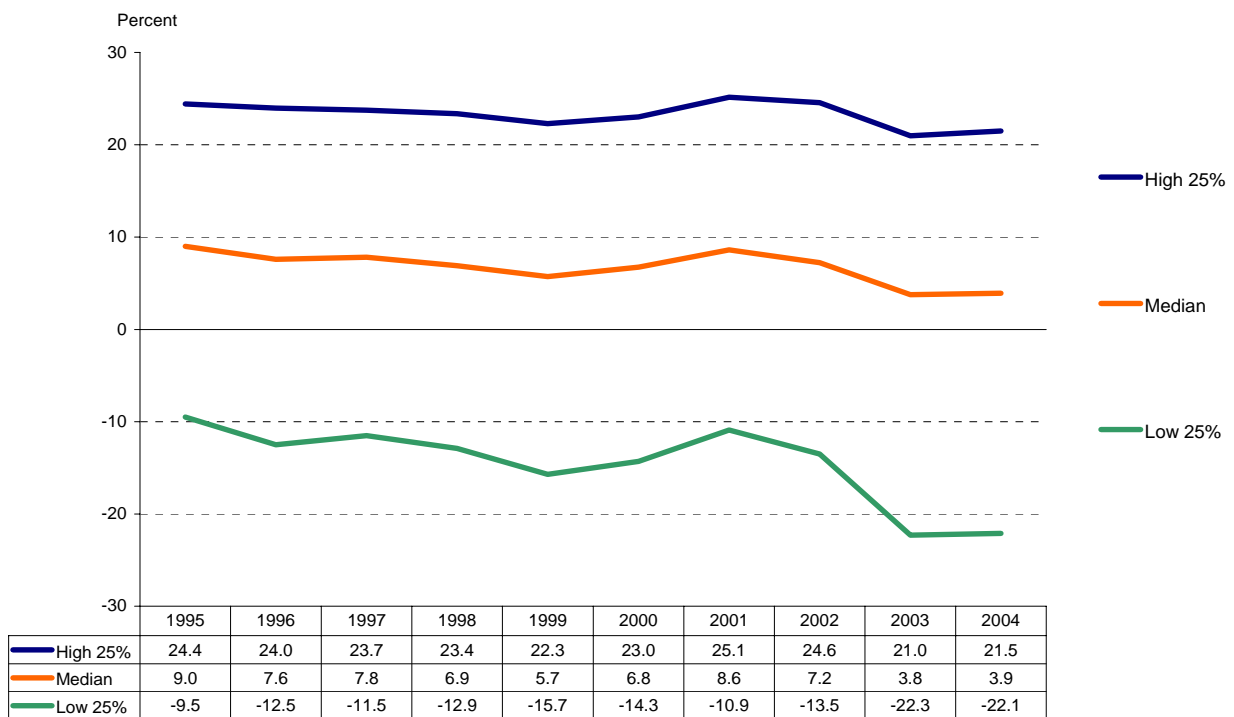
► Declining operating margins affect smaller farms more

Operating margins are a measure of the return to capital, labour and management. They are calculated as gross revenues less cash and non-cash expenses (i.e. depreciation) divided by total operating revenues.

Farm operating margins in Canada have generally been falling over the past decade. For farms with gross revenues of at least \$10,000, the median operating margin declined from 9% in 1995 to just under 4% in both 2003 and 2004. In other words, in 2004, one-half of farms generated more than 4 cents of net operating revenue for each \$1 of gross revenue — and one-half generated less than 4 cents.

The most significant decline in farm operating margins was for those 25% of farms with the lowest operating margins. In 1995, the 25% of farms with the lowest operating margins had margins of -10% or lower but in 2003 and 2004 these operating margins fell sharply to -22% or lower. In other words, for the 25% of farms with the lowest operating margins, for every \$1 of gross revenue they were losing 22 cents or more. Alternatively, the 25% of farms with the highest operating margins had margins of 21% or higher for each year from 1995 to 2004.

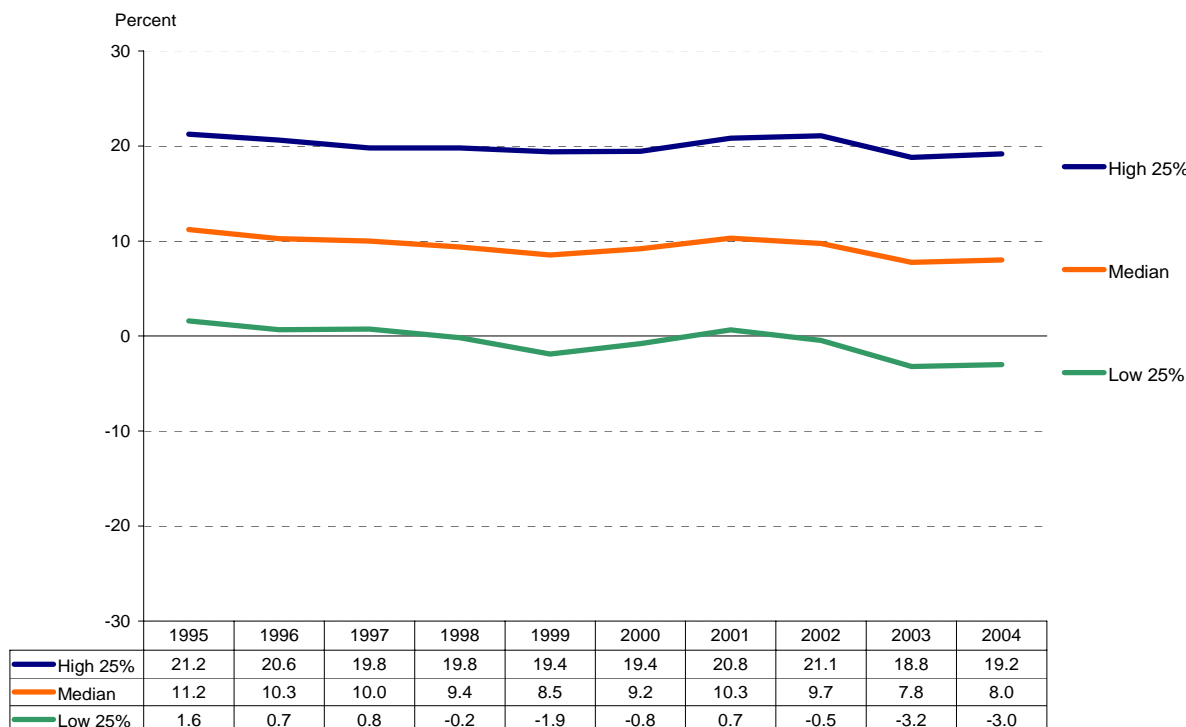
**Figure 3 Operating margins fall sharply for farms¹ with lowest margins
Canada, 1995 to 2004**



Note: Figures refer to quartile boundaries.
 1. Farms with gross revenues of \$10,000 and over.
 Source: Statistics Canada, Agriculture Division, Whole Farm database.

Farms with higher gross farm revenues showed slightly higher margins overall. For example, the median operating margins for farms with revenues of \$100,000 or over was 11% in 1995 and 8% in 2003 and 2004. Therefore, before an allowance for return to equity or the return to unpaid labour, one-half of farms reported net operating income (adjusted for capital cost allowance) of more than 8% of gross revenue. The 25% of farms with the lowest operating margins in 2003 and 2004 had operating margins of -3% or lower while those 25% of farms with the highest operating margins for these years was 19% or higher.

**Figure 4 Operating margins for larger farms¹ decline slightly
Canada, 1995 to 2004**



Note: Figures refer to quartile boundaries.
 1. Farms with gross revenues of \$100,000 and over.
 Source: Statistics Canada, Agriculture Division, Whole Farm database.

► **Farm equity in Canada increases but varies by province**

Farm sector equity increased nearly 2% in 2004 to \$186 billion as farm assets rose slightly more than the rise in liabilities. The value of farm real estate continued its steady growth since 1988, rising 2% in 2004.

Not all provinces are sharing equally in the growth in farm equity. For example, in 1987 the farm equity of Ontario, Alberta, and Saskatchewan were about equal at \$27 billion (constant 1992 dollars) for each of the provinces. However, by 2004, calculated in constant dollars, Ontario and Alberta farm equity had both increased substantially to \$41 billion and \$38 billion, respectively while Saskatchewan farm equity generally trended downward to \$23 billion in 2004.

For Manitoba and Newfoundland and Labrador, farm equity values have remained relatively constant. Farm equity in Quebec and British Columbia has trended higher. For the other Maritime provinces, farm equity dropped rather sharply between 2002 and 2004 as economic conditions tightened.

Figure 5 Saskatchewan has faced the largest decline in farm equity over the past decade

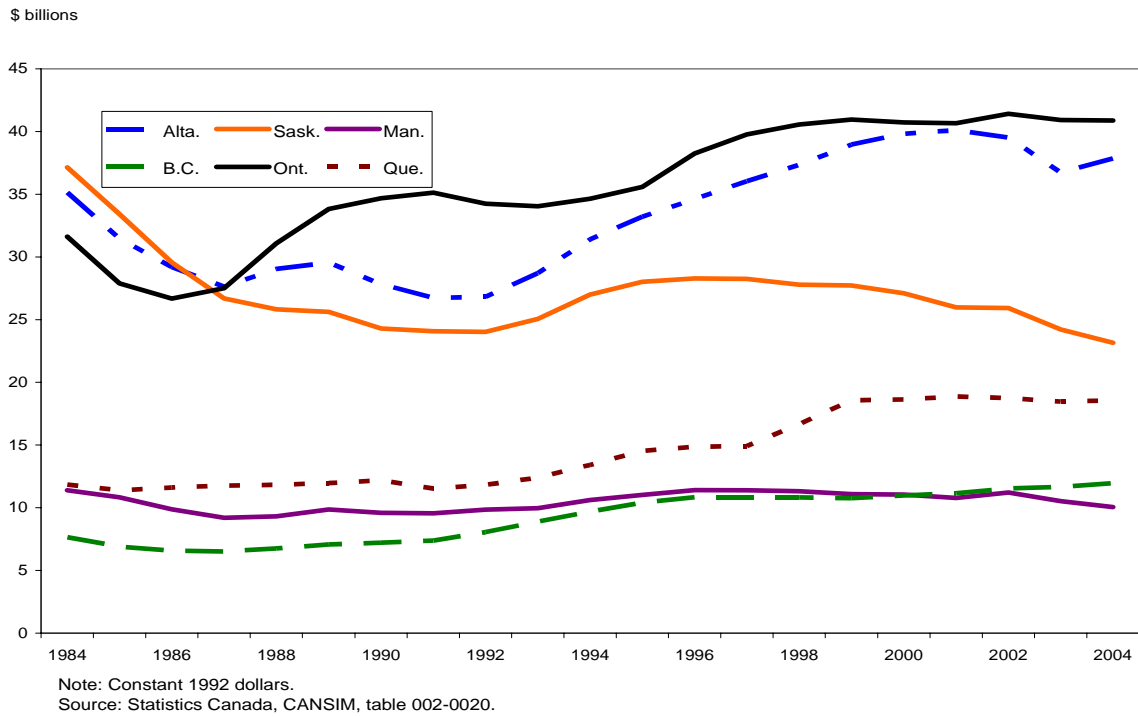
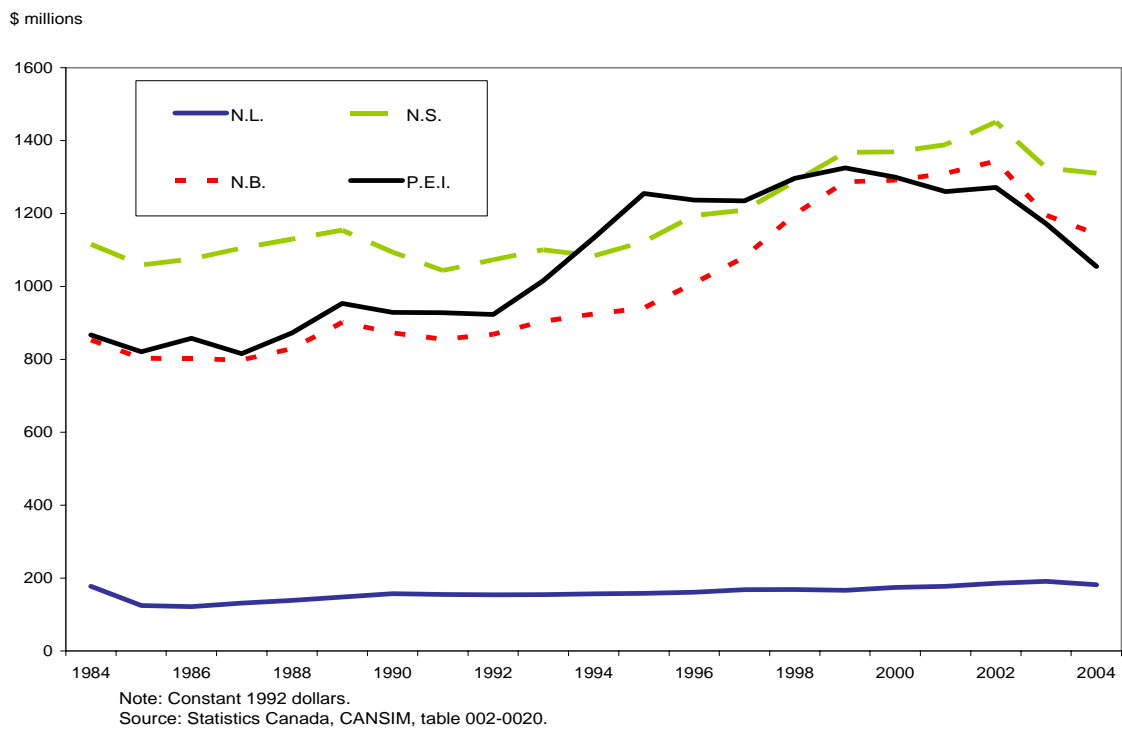


Figure 6 Farm equity drops in the Maritime provinces between 2002 and 2004

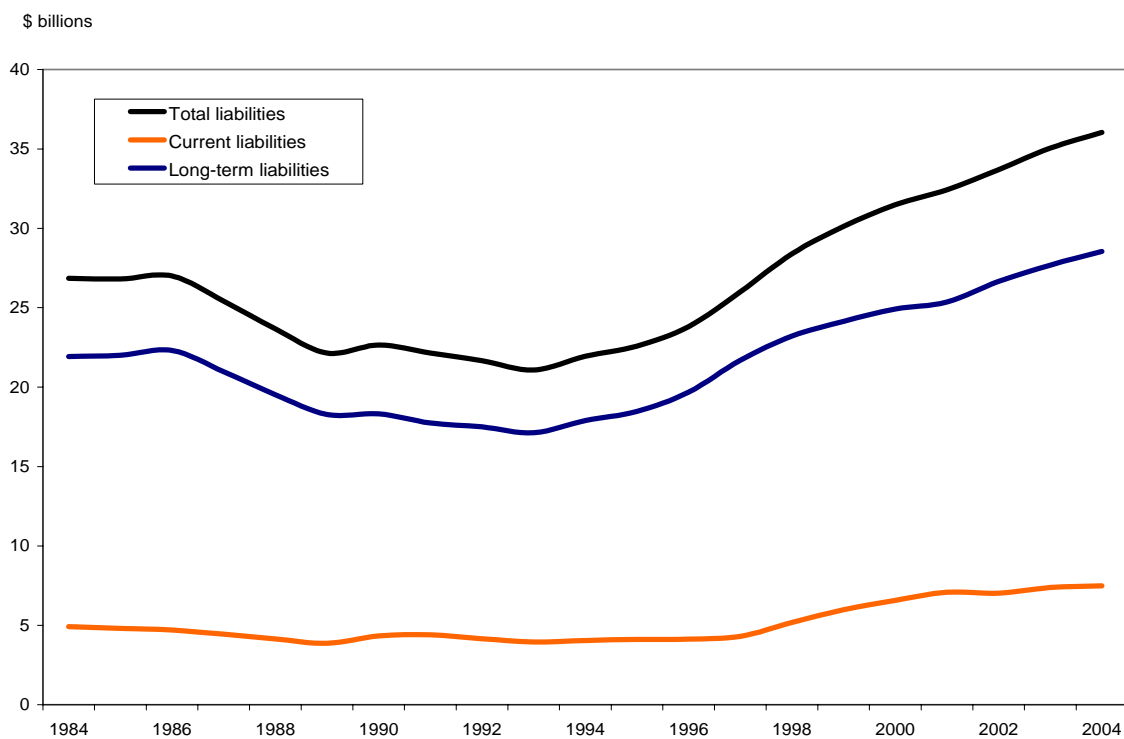


While high farm equity growth is positive for the current owners of farm assets, it may create issues in relation to farm expansion, inter-generational transfers of those assets and higher costs of utilizing the assets in agricultural production.

Farm liabilities in Canada totaled \$45 billion in 2004. Approximately 80% of the 2004 farm liabilities are long-term and 20% are current liabilities (due within a year).

Farm liabilities have risen sharply over the past decade. Between 1994 and 2004, calculated in constant dollars, total farm liabilities have increased 64% with long-term liabilities rising 59% and short-term liabilities rising 85% over this period.

Figure 7 Farm liabilities in Canada have risen sharply over the past decade



Note: Constant 1992 dollars.

Source: Statistics Canada, CANSIM, table 002-0020.

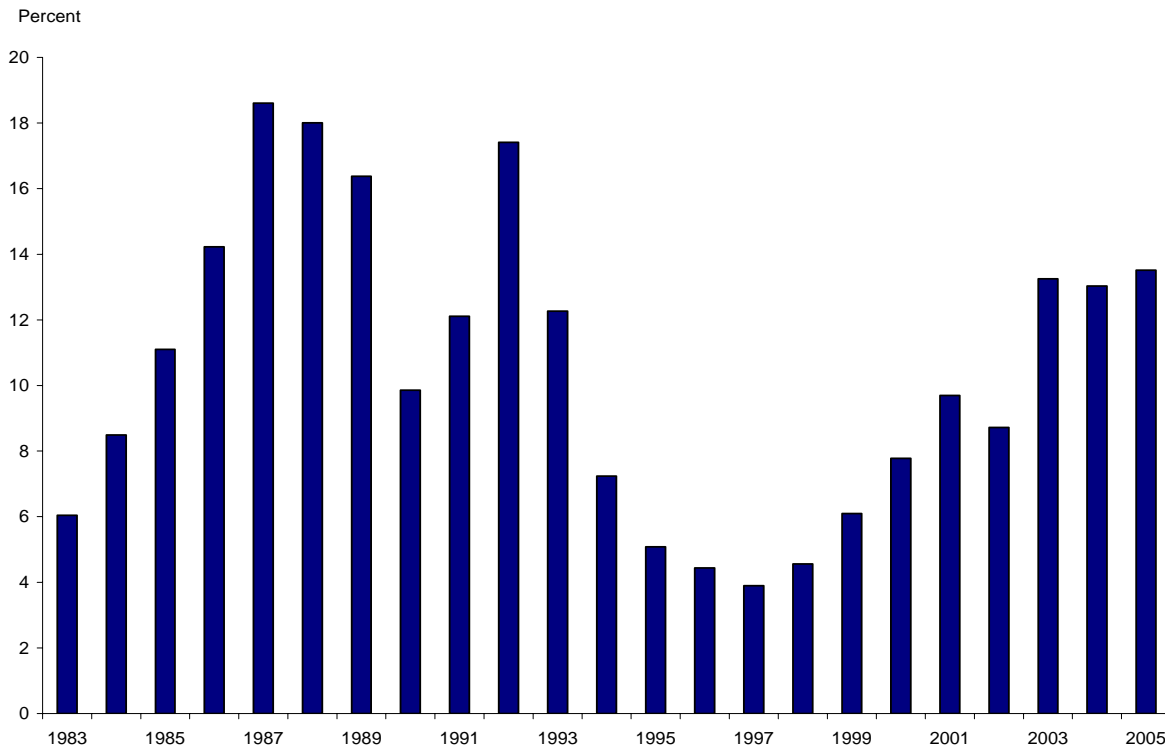
► Record program payments in 2005

Producers received a record \$5 billion in program payments, which accounted for 14% of their total gross revenue in 2005. Program payments were up 3% from 2004 with increased payments from the Canadian Agricultural Income Stabilization (CAIS) program and the Farm Income Payment program offsetting lower withdrawals from the Net Income Stabilization Account (NISA) and provincial stabilization payments.

While program payments were at record levels in nominal dollars in 2005, when comparing the program payments as a share of total agricultural sales, or in other words relative to the size of the

industry based on sales, higher levels of support were provided in the latter part of the 1980s (largely due to payouts under the Special Canadian Grains Program).

Figure 8 Program payments as a percentage of agricultural sales highest in 1987



Source: Statistics Canada, CANSIM, table 002-0004.

Agricultural sectors

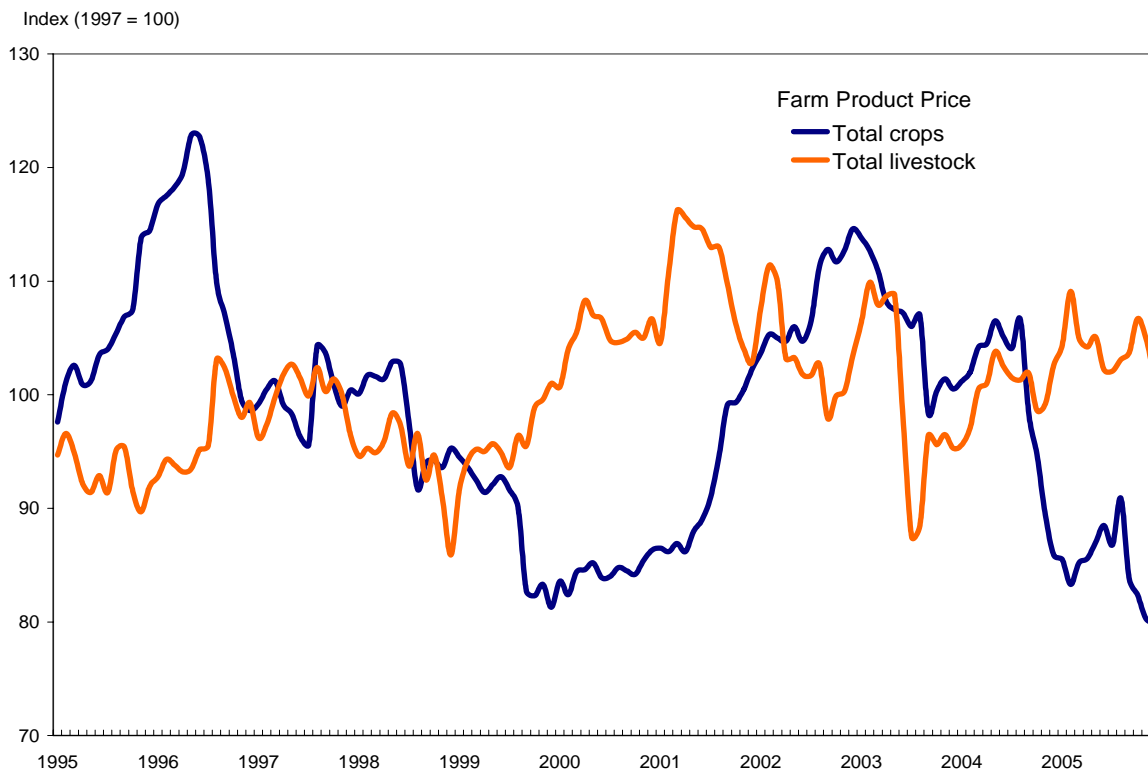
► Crop prices drop sharply in 2005

Prices paid to Canadian farmers for a number of crops continued to be under pressure due to high North American production levels in 2005 and large world supplies. In addition, the significant rise in the value of the Canadian dollar against the U.S. currency lowered returns on Canadian agricultural exports that sell in U.S. dollars.

According to the Farm Product Price Index (FPPI), in December 2005 producers received prices for crops that were 15% below levels a year earlier, continuing the downward trend in year-over-year price changes since the summer of 2003. Near-record grain and oilseed production in both Canada and the United States in 2005 added to already large supplies. In addition, growing conditions in many parts of Canada were detrimental to the quality of some crops. The FPPI for total crops in 2005 was the lowest level since the early 1990s. Low crop prices resulted in farmers asking the federal government for special assistance for the crops sector.

By the end of 2005, prices for livestock and animal products were 5% above the year earlier level. Cattle markets began to recover as the border reopened to trade of live animals in July 2005. Stronger cattle, calf and dairy prices supported the increase for the last part of 2005, but hog, egg and poultry prices continued their year-over-year slide.

Figure 9 Crop prices drop sharply, livestock prices begin to recover



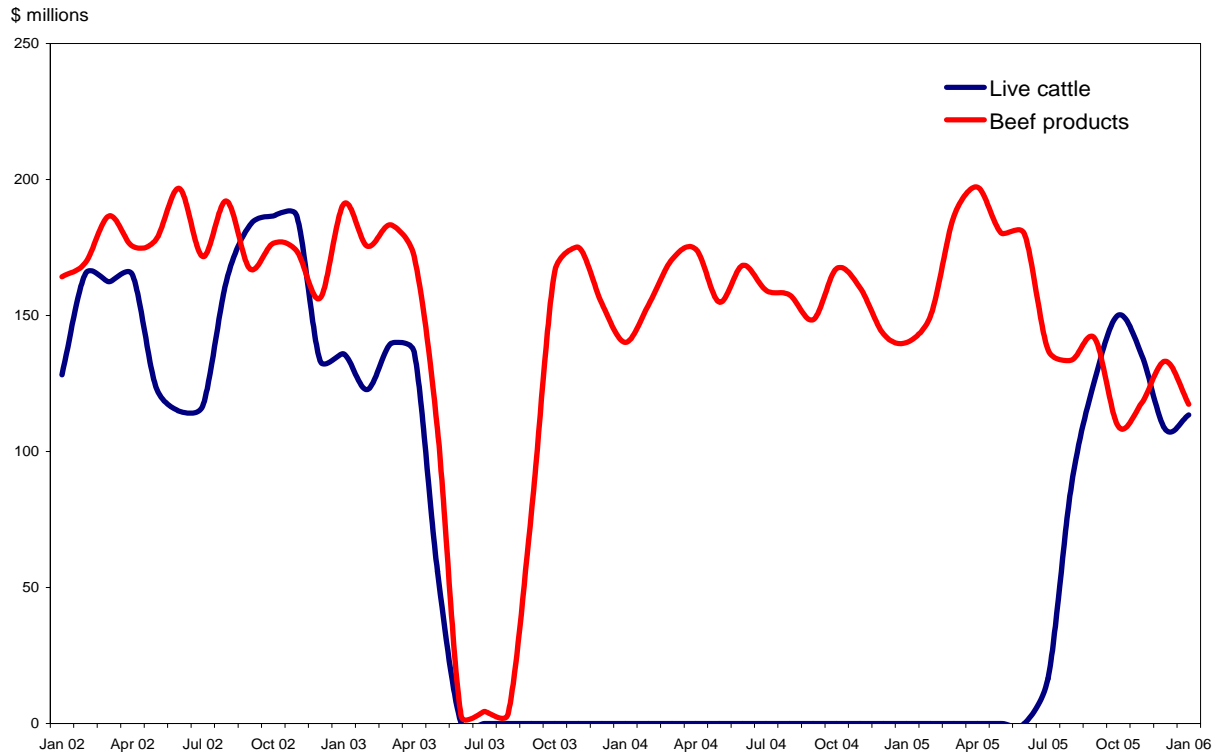
► Borders open to Canadian cattle exports in July 2005

Canadian exports of live cattle and calves (under 30 months of age) resumed to the United States on July 18, 2005. Breeding cattle, cull cattle and meat from older animals are still not permitted to enter the U.S. market. The resiliency of the North American beef cattle market became apparent as exports of live cattle neared pre-BSE levels by October 2005. This rebound is significant, especially in the context of no trade occurring in breeding or cull animals.

In 2005, market receipts for cattle producers were over \$6 billion, up 26% from 2004 but still 2% below the previous five-year average. Receipts from exports of live cattle and calves went from zero in 2004 to \$655 million during the last half of 2005.

Partially offsetting the increase in live cattle exports was a drop in beef meat exports during the second half of 2005. Part of this decline can be attributed to the three-week labour strike at Lakeside Packers in Alberta which occurred in late October and early November of 2005.

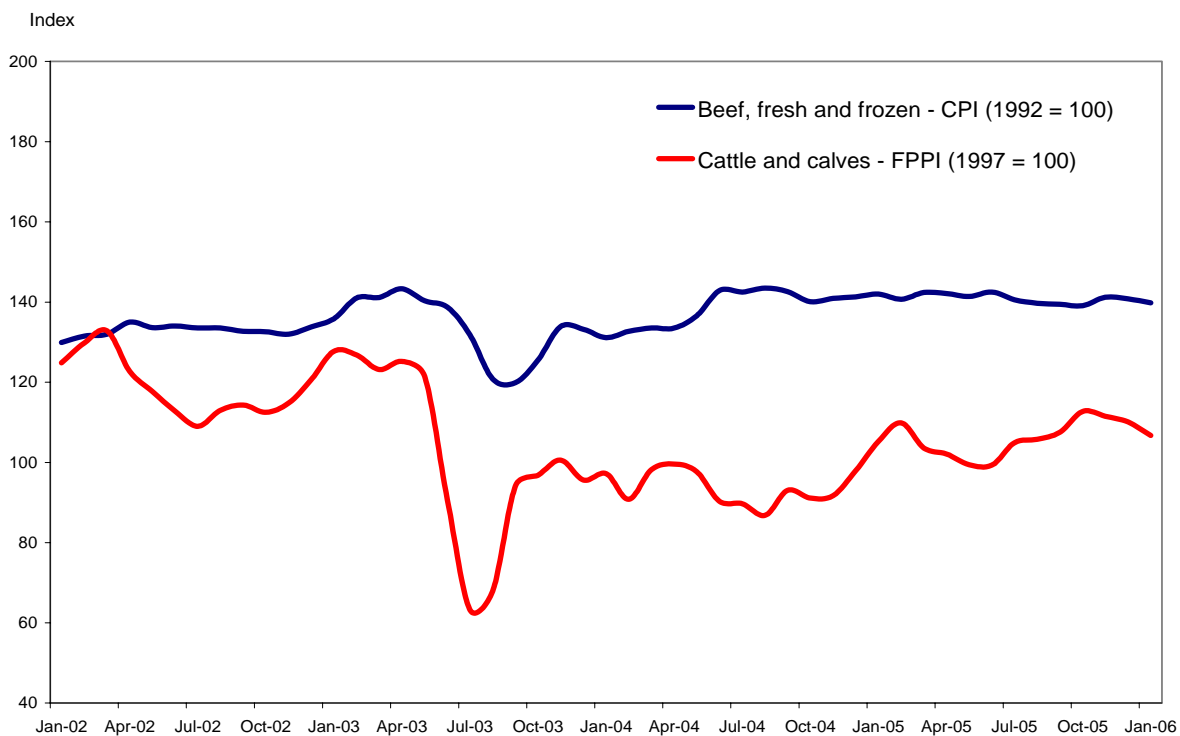
Figure 10 Canadian exports of live cattle recover following U.S. removal of trade ban



Source: Statistics Canada, International Trade Division, Canadian International Merchandise Trade.

The reopening of the U.S. border helped to bolster the price for cattle and calves marketed domestically. Average 2005 slaughter prices for cattle rose 8%, while the average price of feeder animals rose 32% from 2004.

Figure 11 Canadian farm prices of cattle and calves slowly recover from BSE depressed levels



Source: Statistics Canada, CANSIM, tables 326-0001 and 002-0021.

In 2004, producers sent a record 4 million cattle for slaughter, 27% more than in 2003. Despite the record slaughter, Canada's cattle herd swelled to 17.3 million head in July 2005, up 12% from July 2002. On January 1, 2006 livestock estimates showed 14.8 million head of cattle on farms, the first decline in three years, but still 1.3 million more animals than January 1, 2003 with 92% of these additional animals being on farms in the Prairie provinces of Alberta, Saskatchewan and Manitoba.

In response to the BSE situation, the Government of Canada in cooperation with the industry launched new initiatives to increase Canada's meat processing capacity and to reduce the beef industry's reliance on the U.S. market.

► Hog exports down, pork exports up

Cash receipts for hog producers declined 8% in 2005 to just under \$4 billion, mainly due to lower slaughter prices and a decrease in marketings for domestic slaughter and international exports. Despite the decline, hog receipts were still 8% above the previous five-year average.

Receipts from international trade in hogs rose 7% in 2005 as prices improved 9%. Despite a 4% decline in the number of hogs exported, the number of animals exported was still 31% above the

previous five-year average. In addition, Canada exported a record one million tonnes of pork in 2005 worth \$2.8 billion.

► **Dairy farm receipts rise**

Farm receipts for milk and cream increased 5% in 2005 on the strength of a 7% increase in price. Canadian producers sold 7.57 million kilolitres of milk in 2005, down 1% due to a decline in industrial milk sales. Industrial milk sales, which make up nearly 62% of all milk sold totalled 4.68 million kiloliters while fluid milk sales were up slightly to 2.89 million kilolitres.

► **Record corn, soybean and canola production**

In 2005, Canadian farmers produced 59.6 million tonnes of the major grains, oilseeds and special crops.

In Eastern Canada, favourable crop conditions resulted in record corn and soybean production. A dry spring allowed a large area of soybeans to be planted under good conditions but producers faced numerous production challenges including insects, disease and adverse weather.

For Prairie farmers, 2005 canola production jumped 26% to 9.5 million tonnes, the result of a record 1,800 kg per hectare yield (32.6 bushels per acre) and an increase in harvested area from 2004.

Flaxseed production in 2005 nearly doubled 2004 levels to reach 1.1 million tonnes. While record flaxseed production was recorded for Saskatchewan, total production was just short of the record 1.2 million tonnes set in 1970.

Total spring wheat production in the Prairie provinces was estimated at 18.3 million tonnes in 2005, a rise of about 2% from 2004. Prairie farmers reported that durum wheat production reached 5.9 million tonnes, an increase of 19% over 2004, the result of increases in yield and harvested area. The 10-year average (1995 to 2004) is 4.6 million tonnes. Farmers in all three Prairie provinces reported production increases.

Table 1 Production of principal field crops¹, Canada, 2005

Crop	Harvested area	Yield ²	Production
	000 hectares	kg per hectare	000 metric tonnes
Winter wheat	506.8	4 100	2 072.3
Spring wheat	7 023.0	2 700	18 788.1
Durum wheat	2 296.6	2 600	5 914.6
All wheat	9 826.4	2 700	26 775.0
Oats	1 326.3	2 600	3 432.3
Barley	3 888.8	3 200	12 481.2
Fall rye	148.3	2 400	358.6
Mixed grains	108.9	2 800	303.1
Flaxseed	803.3	1 300	1 082.0
Canola	5 282.6	1 800	9 660.2
Corn for grain	1 095.8	8 600	9 460.8
Dry peas	1 319.3	2 300	3 099.8
Soybeans	1 169.3	2 700	3 161.3
Dry white beans	68.8	1 700	117.9
Coloured beans	104.7	1 900	201.1
Lentils	861.9	1 500	1 277.9
Mustard seed	206.3	1 000	201.4
Sunflower seed	74.8	1 200	89.3
Canary seed	186.1	1 200	227.2
Chick peas	72.8	1 400	103.9
Fodder corn	205.1	36 400	7 469.0
Tame hay	6 650.5	4 000	26 629.4

1. November 2005 estimates.

2. Yield based on harvested area.

Source: Statistics Canada, Field Crop Reporting Series, No. 8, catalogue no. 22-002-XIB.

► More production in grain and oilseeds resulted in lower prices for these crops

Crop receipts in Canada fell 7% in 2005 from 2004 and were 2% below the previous five-year average.

Canadian corn marketings increased 4% in 2005 to nearly 6 million tonnes, but revenues dropped 20% for the year as prices tumbled 23%. Corn feeding rebounded late in 2005 given higher supplies and these lower prices.

On December 15, 2005 Canada placed a CAN\$1.90 per bushel countervail tariff on the import of U.S. corn based on high production subsidies being paid to U.S. farmers. The Canadian International Trade Tribunal (CITT) ruled on April 19, 2006 that imports of grain corn from the U.S. had not caused, and do not threaten to cause, material injury to Canadian corn producers. On May 19, 2006, the Canadian Corn Producers announced they will appeal the CITT decision. If this decision is upheld, it means

duties placed on the imports of U.S. grain corn will be removed and all duties assessed by Canada will be returned.

Farm receipts for soybeans increased 25% to \$790 million in 2005. Large marketings of soybeans totaling 2.9 million tonnes, 59% higher than 2004 and 35% above the previous five-year average, offset the 22% drop in prices.

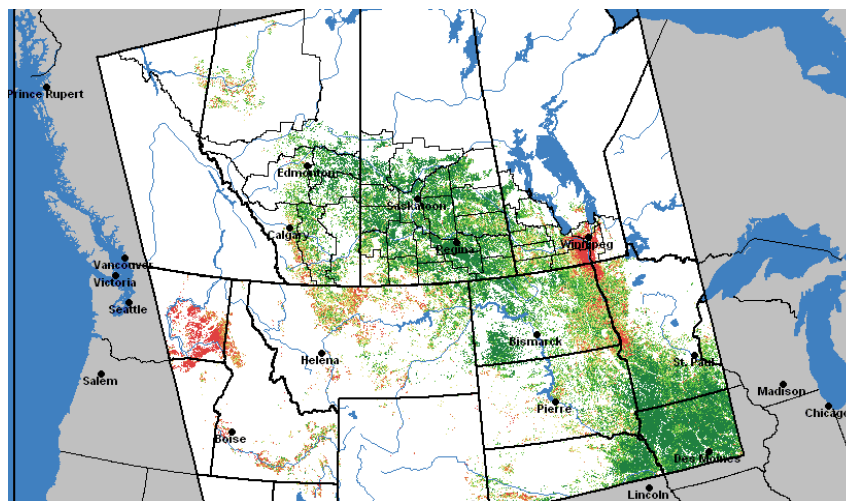
Wheat (excluding durum) revenues for 2005 dropped 23% to just under \$2 billion as prices plunged 23% below 2004 levels and 28% below the previous five-year average. Barley receipts fell 21% to \$449 million in 2005 as the 14% higher marketings were offset by a 31% drop in prices.

Farmers received just under \$2 billion for canola in 2005, down 14% from 2004. Prices fell 24% to near historical low levels, while deliveries rose 14%.

► Floods in Manitoba reduce crop production in 2005

Many Manitoba grain producers experienced a difficult crop season in 2005. Spring rains provided adequate precipitation in most Canadian grain growing areas, but in Manitoba excess moisture and flooding in parts of the province delayed or eliminated planting (as indicated by the red-coloured area in Manitoba in the satellite image).

Manitoba's flooded region in 2005



Source: Statistics Canada, Spatial analysis and geomatics applications section, June 27, 2005.

► 2005 spring frost in Ontario decimates grapes

It was a bad year for grape growers in Ontario in 2005 as a result of frost in the spring which decimated the fruit. Canadian sales of grapes slid to about 93 million pounds, the second lowest total

on record. Many grape farmers that were surveyed reported that the cold weather destroyed their entire crop. Grape growers in British Columbia had higher sales than their counterparts in Ontario for the first time in 2005. British Columbia vinifera grape growers received the third highest price ever averaging \$0.81 per pound due to these market conditions.

► Vegetable farmers reduce acreage

A combination of market conditions and unfavourable weather led vegetable farmers to cut back cultivated area by 12% to just over 257,000 acres in 2005 while fruit area fell slightly to 242,000 acres.

The majority of the drop in vegetable area was attributed to a 22% decline from 2004 in vegetables that are grown for the processing market which include mainly beans, corn and peas. Between 2003 and 2005, the vegetable area destined for processing declined 75% which may be a result of the impact that imported canned and frozen vegetables are having on Canada's processed vegetable market. However, field tomatoes, a crop grown mainly for the processing market, had another strong year as sales increased to almost \$84 million.

Revenues from horticulture crops, which include fruits, vegetables, and the floriculture, nursery and sod industries, declined 2% to \$4 billion in 2005 due to lower marketings. These crops accounted for 30% of total crop receipts.

Potato farm cash receipts in 2005 fell 3% from 2004 to \$793 million. Prince Edward Island recorded the highest receipts followed closely by Manitoba and Alberta.

► Greenhouse sales decline for the first time in 2005

The focus of the greenhouse industry in Canada used to be fresh-cut flowers and bedding plants. That all changed in the 1990s when greenhouse produce such as cucumbers, peppers and tomatoes were made available for most of the year from Canadian greenhouses.

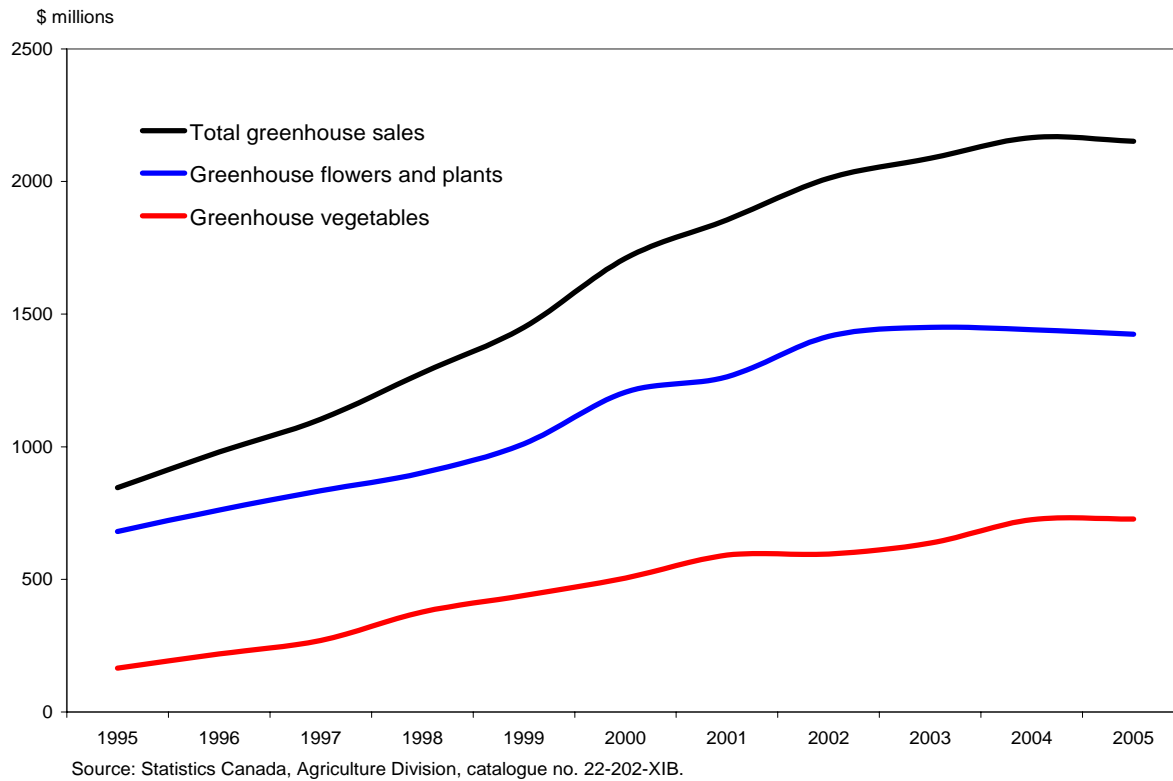
In addition to supplying the growing demand of Canadians, greenhouse operators began shipping their products to adjacent U.S. states in the second half of the 1990s. This trade was aided by a low Canadian dollar and the implementation of the 1988 Canada-United States Trade Agreement (CUSTA) which ended tariffs on the exports of many food products.

The 3,425 Canadian greenhouse operations had a total area under glass and plastic of 214 million square feet in 2005, an increase in area of 2% over 2004 and 85% higher than ten years ago. Ontario continues to lead the nation with 53% of the greenhouse area, followed by British Columbia (25%) and Quebec (12%). In 2005, flowers and plants were grown on 55% of the area and 45% was allocated to vegetables.

Combined sales of greenhouse products were \$2.15 billion in 2005, slightly lower than the record sales of \$2.16 billion in 2004. This was the first time since Statistics Canada began the annual survey of the greenhouse industry in 1955 that greenhouse sales declined. The 2005 sales decline was mainly due to lower cut flower production partly as a result of increased competition from imports.

Greenhouse operators reported an increase in total operating expenses to \$1.96 billion as payroll and fuel expenses both rose in 2005. The greenhouse industry in Canada employed 42,620 persons (full and part-time) with a gross yearly payroll of nearly \$518 million.

Figure 12 Canada’s greenhouse sales fell for the first time in 2005

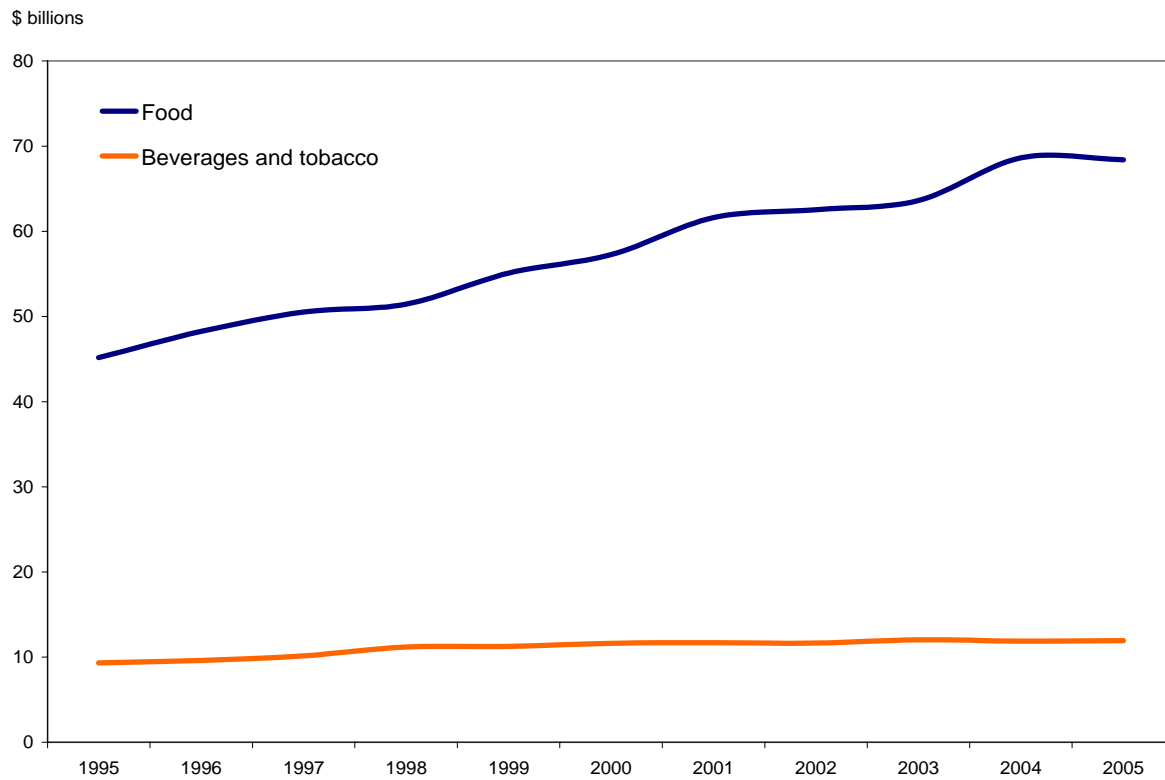


Food manufacturing and consumer demand

► Canadian food manufacturing strong in 2005

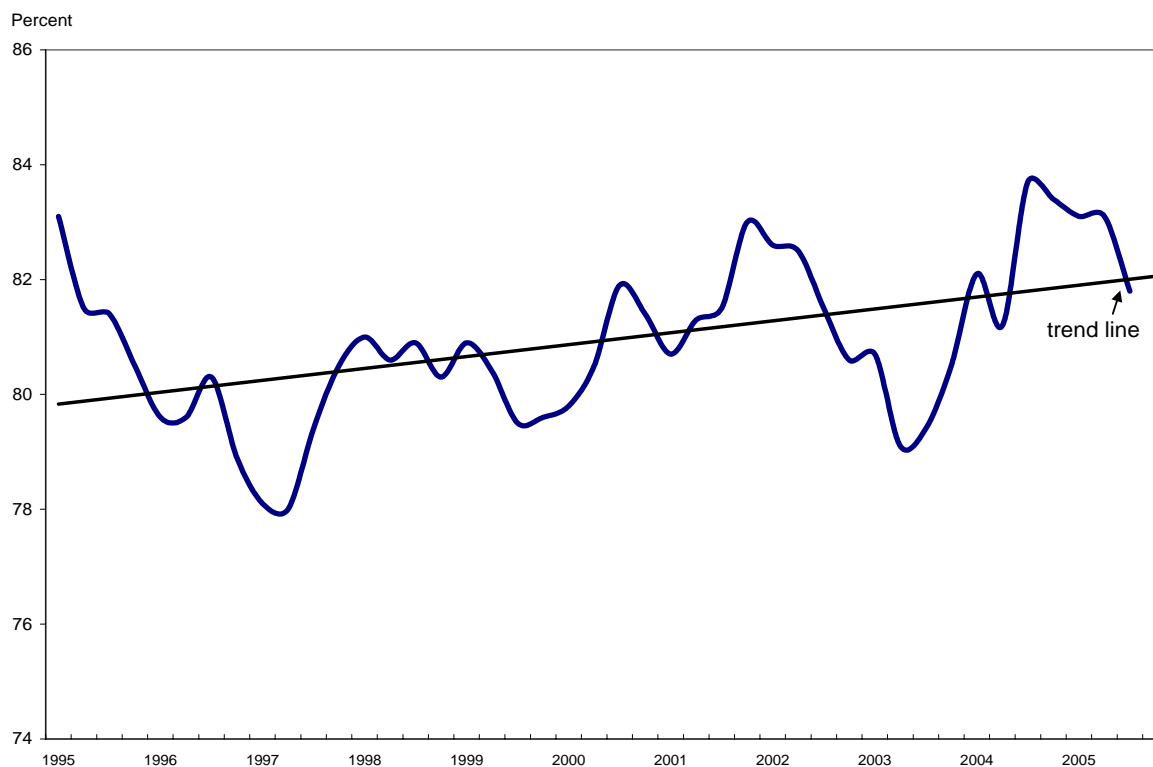
Shipments of Canadian manufactured food products totaled just over \$68 billion in 2005, down slightly (-0.3%) from the previous year. The shipments of beverages and tobacco products were an additional \$12 billion, up slightly (+0.5%) from 2004 with an increase in beverages more than offsetting a decline in tobacco.

Figure 13 Food and beverage manufacturing shipments hold steady in 2005



Source: Statistics Canada, CANSIM, table 304-0014.

Food manufacturing capacity use in the final quarter of 2004 reached 84%, the highest level over the past decade. In 2005, food manufacturing capacity use declined slightly from 2004 levels but continued to be strong at around 82%.

Figure 14 Food manufacturing capacity use trends higher

Source: Statistics Canada, CANSIM, table 028-0002.

► Consumer demands changing

Changes in consumer demand have brought about significant shifts in agricultural production in Canada. An interest in international cuisine has been triggered by Canada's diverse population and increased exports to foreign markets. In addition, consumers are becoming increasingly health conscious and this translates into new food demands.

Canadians also appear to be eating more food and snacks. Statistics Canada has developed an experimental data series that estimates the nutritional equivalent of the daily food consumption per Canadian measured in kilocalories³. According to these statistics, it is estimated that, on average, 2,674 kilocalories were consumed daily per person in 2004, 16% higher than in 1984.

The largest percentage increase in kilocalories over this 20-year period was in poultry, oils and fats (most notably vegetable oils), pulses and nuts, and cereal products (most notably rice and oatmeal).

Foods in which consumer intake of kilocalories declined included meat (reduced consumption plus shifts to leaner cuts of red meats), fish, sugar and syrups, and eggs. While the nutrient intake of dairy products remained relatively constant comparing these two periods, there were changes in the types of

3. The figures presented are experimental and should be used with caution. Nutrients available have been adjusted for retail, household, cooking and plate loss.

dairy products consumed. For example, Canadians shifted to more skimmed or partially skimmed milk products, more variety cheeses and yogurts and less ice cream.

Table 2 Nutrients consumed by Canadians per person

	1984	2004	% Change
	energy in kilocalories		
Cereal products	495	666	35
Oils and fats	360	543	51
Beverages	279	307	10
Sugars and syrups	326	283	-13
Dairy products	262	265	1
Meat	242	211	-13
Vegetables	92	101	10
Pulses and nuts	63	88	40
Poultry	52	83	60
Fruit	67	70	4
Eggs	35	31	-11
Fish	28	26	-7
Total energy	2301	2674	16

Source: Statistics Canada, Canada Food Stats CD-ROM, catalogue no. 23F 000 1XCB.

While food security and safety are important to Canadians and our international consumers, Canadian agriculture is more than food. Increasingly, farmers are producing products for non-food markets – for example, ethanol, bio-diesel, construction materials, nutraceuticals, and environmental products to name a few. As a result, Canadian farmers and manufacturers are producing a wider range of agriculturally-based products than ever before.

Agricultural trade issues

► Canada's 2005 agricultural exports total \$30 billion

Canadians export about half of the food they produce and import about half the food they eat. This makes Canada one of the world's most agriculturally trade dependent nations. The World Trade Organization (WTO) Doha Round of multilateral trade negotiations began in 2001 and continues to the present day. WTO member countries have committed to "comprehensive negotiations aimed at substantial improvements in market access; reductions of, with a view to phasing out, all forms of export subsidies; and substantial reductions in trade-distorting domestic support".

For some farm enterprises, such as cattle, hogs and greenhouse vegetables, trade with the United States and other countries has brought opportunities to expand into large new markets. But a trade "shock"

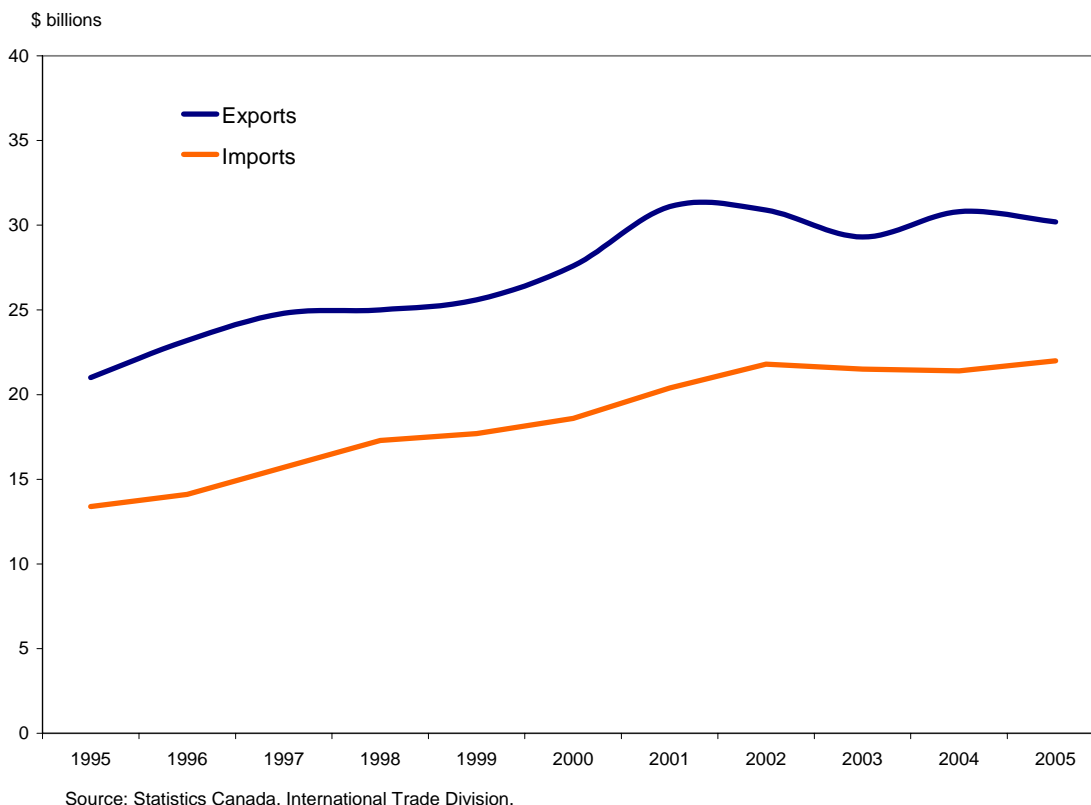
can be devastating, as was demonstrated when the Canadian border was closed to exports of live cattle and beef products in the spring of 2003 due to BSE.

In 2005, Canada exported \$30.2 billion of agricultural and fish products, down 1.7% from the previous year and 0.9% above the previous five-year average. Approximately 38% of the exports were meat, fish, and live animals, 28% were grains and oilseeds and their products; and the remaining 34% were alcoholic beverages and other food, feed, beverages and tobacco.

Exports of live animals increased nearly 77% from 2004 levels as a result of the resumption of trade in cattle and calves (under 30 months of age) with the United States following a 26-month export embargo due to BSE. Wheat exports dropped 23% mainly due to lower demands by China.

Canada imported \$22.0 billion of agricultural and fish products in 2005, up 3.1% from a year earlier and 6.1% above the previous five-year average. Approximately 29% of the imports were fruits and vegetables, 29% were beverages, cocoa, coffee, tea and other prepared foods, 18% were fish, meat and live animals, and the remaining 24% were mainly cereal products, sugar, fodder and feed.

Figure 15 Agricultural and fish products trade, Canada



In summary, Canada’s net trade surplus in agricultural and fish products declined 12.7% between 2004 and 2005 from \$9.4 billion to \$8.2 billion.

Table 3 Agricultural and fish products trade, Canada

	2004 \$ millions	2005	2004/2005 % change	2005 % of total
Exports	30,759	30,237	-1.7	100.0
Meat and meat preparations	4,986	5,102	2.3	16.9
Fish and fish prep.	4,871	4,699	-3.5	15.5
Live animals	873	1,542	76.6	5.1
Wheat	3,503	2,685	-23.4	8.9
Wheat flour	85	80	-5.9	0.3
Barley	324	362	11.7	1.2
Other cereals unmilled	317	313	-1.3	1.0
Other cereal preparations	2,214	2,249	1.6	7.4
Rapeseed	1,420	1,297	-8.7	4.3
Other crude vegetable products	1,545	1,581	2.3	5.2
Alcoholic beverages	1,231	1,044	-15.2	3.5
Other food, feed, beverages and tobacco	9,391	9,283	-1.2	30.7
Imports	21,371	22,037	3.1	100.0
Fresh fruits and berries	2,071	2,205	5.6	10.0
Dried fruits, fruits and fruit prep.	1,101	1,137	6.5	5.2
Fresh vegetables	1,645	1,716	4.3	7.8
Other vegetables and vegetable prep.	1,239	1,335	7.7	6.1
Cocoa, coffee, tea, and other food prep.	3,593	3,694	2.8	16.8
Beverages	2,356	2,600	10.4	11.8
Fish and marine animals	1,804	1,822	1.0	8.3
Meat and meat prep.	1,310	1,455	11.1	6.6
Dairy produce, eggs and honey	638	617	-3.3	2.8
Live animals	138	144	4.3	0.7
Other cereals and cereal prep.	1,455	1,488	2.3	6.8
Sugar and sugar prep	1,141	1,241	8.8	5.6
Crude vegetable products	1,257	1,150	-8.5	5.2
Fodder, feed, excluding unmilled cereal	1,008	891	-11.6	4.0
Corn (maize) shelled	365	343	-6.0	1.6
Tobacco	107	121	13.1	0.5
Cotton	142	79	-44.4	0.4
Net Trade Balance	9,388	8,200	-12.7	...

Note: Balance of payments basis, seasonally adjusted.

Source: Statistics Canada, International Trade Division.

2006 Census of Agriculture

The Census of Agriculture, conducted every five years, provides an overview and tracks structural trends in the entire industry; the most recent was this year, on May 16, 2006. As the only source of information that gathers and publishes data right down to the community level, the Census of Agriculture puts the industry in focus for many groups, including farm operators, farm organizations, agri-businesses, the Canadian public, governments and academics. The data will be released by Statistics Canada on May 16, 2007.