

# Farm income, 2016

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## Realized net farm income continues to climb

Realized net farm income rose 7.6% in 2016 to \$8.8 billion. This marks the third consecutive year and the sixth time in seven years that realized net farm income has increased.

Realized net income is the difference between a farmer's cash receipts and operating expenses, minus depreciation, plus income in kind.

Slightly lower operating expenses together with a small increase in farm cash receipts contributed to the gain in 2016.

Realized net income grew in six provinces — Prince Edward Island, New Brunswick, Quebec, Ontario, Manitoba and Alberta — with Quebec recording the largest percentage increase (+65.7%).

## Farm cash receipts post their weakest annual increase since 2010

Farm cash receipts, which include market receipts from crop and livestock sales as well as program payments, edged up 0.5% in 2016 to \$60.0 billion. The increase was the smallest since 2010, the last year farm cash receipts declined. Quebec led the provinces with a 6.5% rise, with New Brunswick (+4.5%), Prince Edward Island (+2.1%), Manitoba (+2.0%), Ontario (+1.3%) and Newfoundland and Labrador (+0.1%) also posting gains. Both Saskatchewan and British Columbia recorded the largest decrease (-2.5%).

Market receipts were essentially unchanged, as the revenue from the sale of crops and livestock remained at \$57.6 billion in 2016. A rise in crop sales was offset by declining livestock receipts.

Market receipts are the product of price and marketings. Marketings are quantities sold, using various units of measure.

Revenue from livestock production fell 7.2% in 2016 to \$23.8 billion. The 17.7% drop in cattle and calf receipts was the first decrease since 2009. Prices fell 21.8% as North American inventories continued to grow. Prices started their decline in the latter half of 2015.

Hog receipts also decreased, falling 3.2% as prices declined 3.0%. Record pork production in the United States has maintained downward pressure on prices.

Increases in livestock receipts were confined to the supply-managed sectors. Dairy receipts were up 2.4% as a 3.4% rise in marketings more than compensated for a 1.0% decrease in price. Overall, receipts for the supply-managed sectors climbed 3.2% as poultry (+2.9%) and eggs (+8.3%) also posted gains, both largely the result of higher sales volumes.

Crop receipts totalled \$33.8 billion in 2016, an increase of 5.8% from 2015. Accounting for most of this growth were canola receipts totalling \$9.2 billion, up 15.1% compared with 2015. Marketings rose 12.1% in 2016, as demand remained firm in export markets and grew in the domestic processing market, where crush levels reached a record high.

Also contributing to the rise in crop revenues was a 67.6% increase in dry pea receipts. A robust export market pushed up marketings by 45.9%.

Tempering the increase in crop receipts was an 11.0% drop in wheat sales (excluding durum) as marketings fell 12.8%. Global increases in production have curtailed export opportunities.

Lentil receipts decreased 11.0% as marketings declined 14.9% from the record levels of 2015.



Program payments grew 13.8% to \$2.4 billion in 2016, with increases in provincial stabilization and private hail insurance payments driving much of the rise.

## Lower cattle, fertilizer and fuel prices nudge down farm expenses

For the first time in six years, farm operating expenses (after rebates) decreased slightly in 2016, down 0.9% to \$44.2 billion. This followed a 1.7% increase in 2015.

Livestock purchase expenses fell 28.3% in 2016 after rising 67.1% over the previous two years. A drop in cattle and calf prices following several years of increases was the principal factor for the decline. Lower prices also contributed to the decreases in fertilizer (-10.7%), and machinery fuel (-11.3%) expenses.

Partly offsetting these declines was growth in most of the other expense items, including a 5.0% rise in interest expenses and a 2.8% increase in cash wages.

Total expenses, which include depreciation charges, edged down 0.6% to \$51.3 billion. The 1.0% increase in depreciation charges was the smallest since 2010.

Total expenses decreased in four provinces, with Alberta posting the largest decline at 2.8%. Prince Edward Island, Ontario, and Manitoba were the other provinces to report a drop.

## Increase in total net farm income aided by higher wheat and lentil inventories

Total net farm income reached \$9.5 billion in 2016, up \$1.2 billion from the previous year. This follows a \$3.5 billion increase in 2015.

Total net farm income is realized net income adjusted for changes in the farmer-owned inventories of crops and livestock. It represents the return to owner's equity, unpaid farm labour, management and risk.

On-farm stocks of wheat (including durum) and lentils rose, contributing to the increase in the value of inventory change (+\$582 million).

Although the national figure increased, only four provinces posted gains in total net farm income: Prince Edward Island, Quebec, Saskatchewan and Alberta.



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Net farm income is generally prone to annual fluctuations. These can be caused by many factors, including: growing conditions; commodity price variability; trade expansion or contraction; and general economic conditions in Canada and the world.

As well, there are changes in government policies— especially those that aim to stabilize farm incomes.

Since Canada's Centennial year of 1967, the largest annual decrease (-86.0%) in constant dollar, realized net income occurred in 2003. In that year, cattle exports to the United States were halted after the discovery of Bovine Spongiform Encephalitis (BSE) in an Alberta cow. As a result, cattle prices fell markedly. Crop marketings were also down sharply that year, as droughts in Western Canada in 2001 and 2002 reduced crop production.

The largest increase followed in 2004 — a more than five-fold hike — as crop marketings returned to more normal levels and rising hog receipts more than compensated for still sluggish cattle receipts.

**Table 1**  
**Net farm income**

	2015 <sup>r</sup>	2016 <sup>p</sup>	2015 to 2016
	millions of dollars		% change
+ Total farm cash receipts including payments	59,697	60,004	0.5
- Total operating expenses after rebates	44,631	44,240	-0.9
= Net cash income	15,066	15,764	4.6
+ Income-in-kind	62	55	-10.6
- Depreciation	6,947	7,016	1.0
= Realized net income	8,180	8,804	7.6
+ Value of inventory change	116	699	...
= Total net income	8,296	9,502	...

<sup>r</sup> revised

<sup>p</sup> preliminary

... not applicable

Source(s): CANSIM table [002-0009](#).

**Table 2**  
**Net farm income by province**

	Canada	Newfoundland and Labrador	Prince Edward Island	Nova Scotia	New Brunswick	Quebec
millions of dollars						
<b>2015<sup>r</sup></b>						
+ Total farm cash receipts including payments	59,697	130	477	593	572	8,185
- Total operating expenses after rebates	44,631	119	386	511	442	6,533
= Net cash income	15,066	11	91	83	130	1,652
+ Income-in-kind	62	0	0	1	1	14
- Depreciation	6,947	10	50	68	57	887
= Realized net income	8,180	2	41	16	73	779
+ Value of inventory change	116	0	6	0	15	209
= Total net income	8,296	2	47	16	88	989
<b>2016<sup>p</sup></b>						
+ Total farm cash receipts including payments	60,004	130	487	589	598	8,717
- Total operating expenses after rebates	44,240	122	381	519	448	6,555
= Net cash income	15,764	8	106	71	150	2,162
+ Income-in-kind	55	0	0	1	1	13
- Depreciation	7,016	10	51	69	56	883
= Realized net income	8,804	-2	56	3	94	1,291
+ Value of inventory change	699	-1	-1	-6	-20	-74
= Total net income	9,502	-2	55	-3	74	1,217
	Canada	Ontario	Manitoba	Saskatchewan	Alberta	British Columbia
millions of dollars						
<b>2015<sup>r</sup></b>						
+ Total farm cash receipts including payments	59,697	12,804	5,810	14,425	13,593	3,107
- Total operating expenses after rebates	44,631	10,265	4,677	8,702	10,345	2,651
= Net cash income	15,066	2,539	1,133	5,724	3,248	456
+ Income-in-kind	62	13	5	7	14	6
- Depreciation	6,947	1,472	675	1,601	1,718	409
= Realized net income	8,180	1,080	463	4,130	1,543	53
+ Value of inventory change	116	222	325	-493	-242	75
= Total net income	8,296	1,301	788	3,636	1,301	128
<b>2016<sup>p</sup></b>						
+ Total farm cash receipts including payments	60,004	12,967	5,927	14,069	13,490	3,029
- Total operating expenses after rebates	44,240	10,208	4,621	8,731	9,982	2,672
= Net cash income	15,764	2,759	1,306	5,338	3,508	357
+ Income-in-kind	55	12	5	6	12	5
- Depreciation	7,016	1,487	673	1,626	1,746	415
= Realized net income	8,804	1,284	637	3,718	1,774	-53
+ Value of inventory change	699	-71	101	404	308	59
= Total net income	9,502	1,213	738	4,122	2,082	6

<sup>r</sup> revised

<sup>p</sup> preliminary

**Note(s):** Figures may not add up to totals because of rounding.

**Source(s):** CANSIM table [002-0009](#).

### Note to readers

Realized net income can vary widely from farm to farm because of several factors, including the farm's type of commodities, prices, weather and economies of scale. This and other aggregate measures of farm income are calculated on a provincial basis employing the same concepts used in measuring the performance of the overall Canadian economy. They are a measure of farm business income, not farm household income.

Preliminary farm income data for the previous calendar year are first released in May of each year (five months after the reference period), providing timely information on the performance of the agriculture sector. Revised data are then released in November of each year, incorporating data received too late to be included in the first release. Data for the year prior to the reference period are also subject to revision.

For details on farm cash receipts for the first quarter of 2017, see the "[Farm cash receipts](#)" release in today's Daily.

Available in CANSIM: tables [002-0001](#), [002-0003](#), [002-0005](#), [002-0007 to 002-0009](#), [002-0012](#), [002-0075](#), [002-0076](#) and [003-0025](#).

Definitions, data sources and methods: survey numbers [3436](#), [3437](#), [3471](#), [3472](#), [3473](#), [3474](#), [5214](#), [5227](#) and [5229](#).

[Summary tables](#) are also available.

For more information, or to enquire about the concepts, methods or data quality of this release, contact us (toll-free 1-800-263-1136; 514-283-8300; [STATCAN.infostats-infostats.STATCAN@canada.ca](mailto:STATCAN.infostats-infostats.STATCAN@canada.ca)) or Media Relations (613-951-4636; [STATCAN.mediahotline-ligneinfomedias.STATCAN@canada.ca](mailto:STATCAN.mediahotline-ligneinfomedias.STATCAN@canada.ca)).