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Canadian Agriculture in 2007: Better Farm Prices and Incomes as World Demand for Food Increases

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Symbols

The following standard symbols are used in this publication:

.	not available for any reference period
..	not available for a specific reference period
...	not applicable
0	true zero or a value rounded to zero
0 ^s	value rounded to 0 (zero) where there is a meaningful distinction between true zero and the value that was rounded
P	preliminary
r	revised
x	suppressed to meet the confidentiality requirements of the Statistics Act
E	use with caution
F	too unreliable to be published

Agriculture in 2007: Key events

High prices for grains and oilseeds, continued strength in the Canadian dollar, and further increases in crude oil prices and farm inputs were the key issues for Canadian agriculture in 2007 that had an impact on the Canadian agri-food industry from the farm gate to the consumers' plate. It was good news for grain and oilseed producers and exporters but not livestock producers, particularly cattle and hog farmers.

Grain and oilseed prices began to increase in 2007. It was a welcome change for crop producers but a major challenge to livestock farmers, particularly those in the beef cattle and hog sectors, who faced substantive increases in feed costs (Figure 1). Declining prices of hogs and beef cattle, especially during the second half of the year, added to their challenges.

The slow but persistent annual declines in world grain stocks coupled with increased commodity speculation in the financial markets began to push world grain and oilseed prices to new levels (Figure 2). Rising world food demand and the increased demand for corn and soybeans in the biofuel industry reduced global crop supplies leaving global inventories at levels not seen since 1980/81.

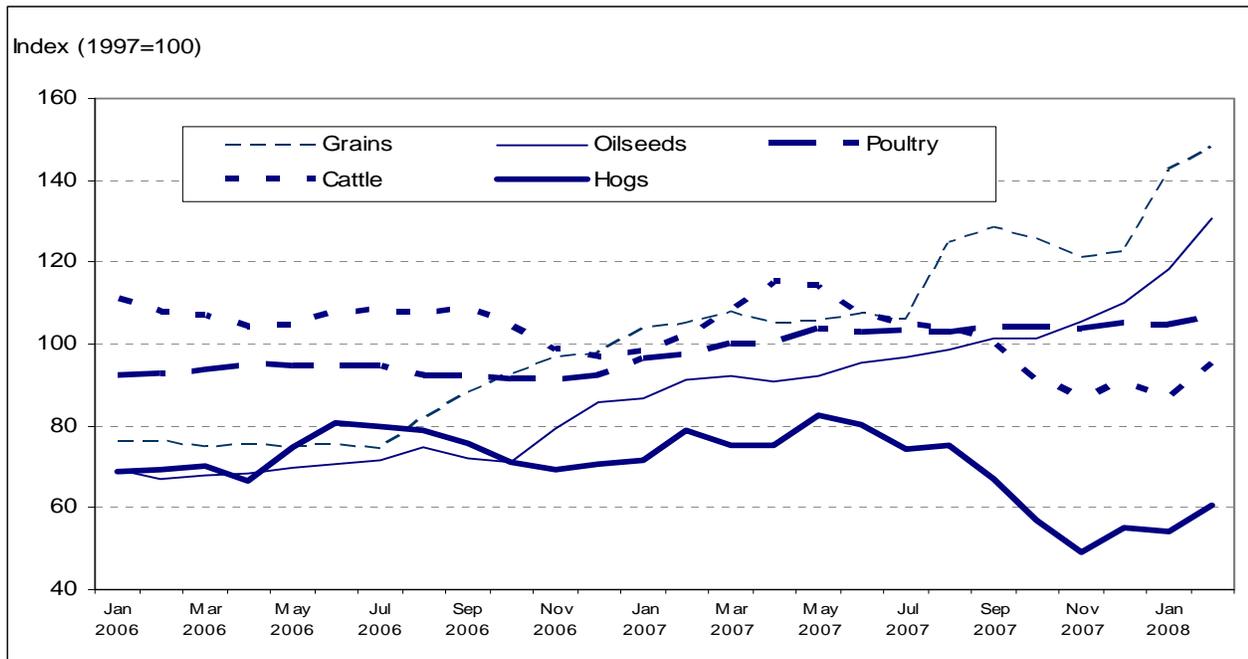
Weather also played a role in 2007, reducing crop production in the world's more important grain exporting countries. Hot and dry growing conditions reduced crop production in Canada while Australia's grain growing regions experienced severe droughts for the second consecutive year. In addition, wheat yields in parts of the United States were hurt by frost, followed by excessive rainfall. However, low world wheat stocks and rising prices resulted in US farmers increasing winter wheat plantings by 13.2% (United States Department of Agriculture (USDA)).

The Canadian dollar rose steadily throughout 2007 starting the year at almost 86 cents US reaching parity with the US dollar in late September, peaking at over US\$ 1.10 in early November, then closing the year at close to par. The impact of the Canadian dollar's appreciation was mixed. It may have helped farmers who needed to buy imported goods and services, but it also reduced the incomes of Canadian farmers, particularly those producing products for international export priced in US dollars.

Crude oil prices increased almost steadily over the year and ended the year with a 12-month increase of about 60% (Figure 2). Fuel and fertilizers are essential inputs for farm production, and their prices increased with the rising prices of crude oil. This made it increasingly challenging for farmers to make production decisions and control crop production costs.

The higher international crude oil prices also improved the economics of producing alternative fuels from corn and soybeans. This further stimulated crop demand and increased crop prices. Higher crop prices may bring Canadian crop farmers benefits in the short-run but higher oil prices started to put upward pressure on fuel, fertilizer and chemical prices and thus affect farmers' input use and production decisions in the long-run.

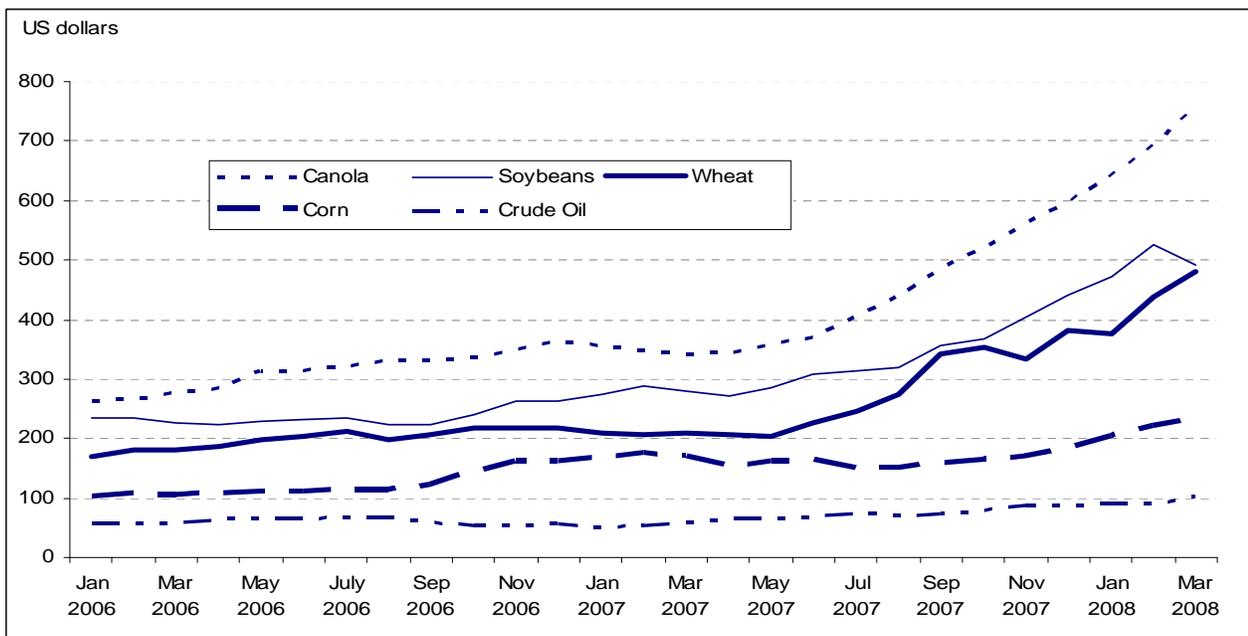
Figure 1 Farm product price indexes, Canada, January 2006 to March 2008



Note: Cattle include calves.

Source: Statistics Canada, Farm product price index (FPPI), CANSIM Table 002-0021.

Figure 2 Commodity prices in the world market, January 2006 to March 2008



Note: Grain and oilseed prices are in US dollars per metric tonne, and crude oil prices are a monthly average of weekly prices in US dollars per barrel.

Source: FAO (Food and Agriculture Organization of the United Nations) international commodity prices database 2008 and U.S. Energy Information Administration data, April 2008.

An overview of the agricultural industry

Contribution of agriculture to the overall economy

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 represented about 7.4% of Canadian GDP in 2007. Canadian agricultural exports and imports represented about 2.2% and 1.7%, respectively, of GDP. Canadian GDP in 2007 represented 2.5% of total world GDP, and Canada's population represented 0.5% of the world's population. Canadians produce just over 1% of the world's food and consume approximately 0.6% of world food production (FAO Statistics).

Total farm cash receipts, which include both market revenues and program payments, were \$40.5 billion in 2007. This was 9.6% above 2006 and it was the first time that receipts surpassed \$40 billion.

Agricultural land area

Canada has 45.7 million hectares of arable agricultural land which is 5.0% of Canada's total land area of 909.4 million hectares. Canadian arable land amounts to just over 3.2% of the 1.4 billion hectares of total arable land in the world (FAO Statistics). Canada ranks seventh in terms of countries with the most arable agricultural land following the United States (12.3%), India (11.2%), China (10.1%), Russia (8.6%), Brazil (4.2%) and Australia (3.5%).

Employment

There were about 337,200 people employed in Canadian agriculture in 2007 according to the Canadian Labour Force Survey, or approximately 1.9% of the Canadian labour force. This includes farmers and all hired labour 15 years of age and over.

Food processing is one of Canada's largest manufacturing industries by number of employees. The Canadian food processing industry employed 232,355 people in 2007. The beverage industry employed another 23,805 for a total of 256,160 workers, 14.4% of total manufacturing employment.

Labour productivity

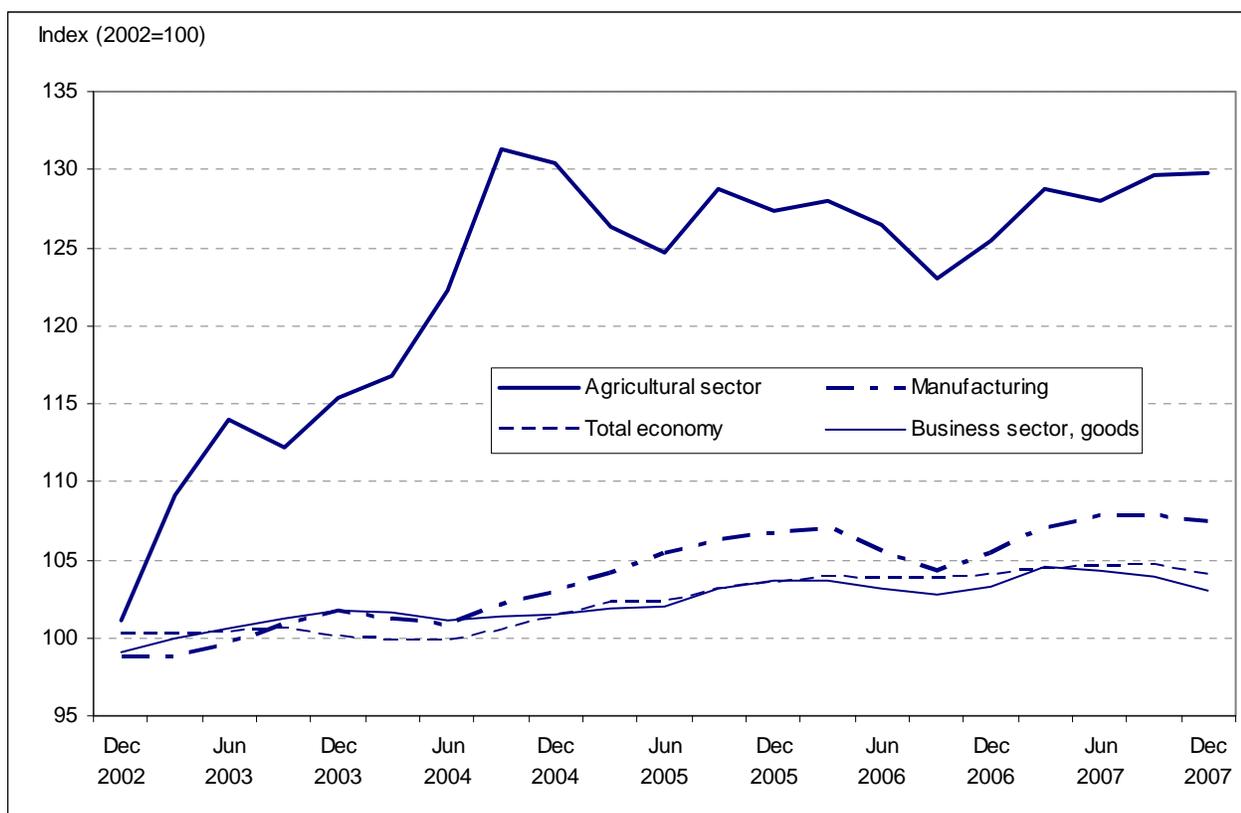
Labour productivity is measured as the ratio of real GDP to hours worked. In the agricultural sector², labour productivity continued to grow in 2007. In the past five years, the sector registered the fastest growth rate of all major industrial sectors and well above the national average. This productivity growth can be related to increasing efficiency in agriculture with farmers adopting new labour-saving and output-enhancing technologies.

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

2. Includes forestry, fishing and hunting.

In 2006, labour productivity of the agricultural sector dropped as crop production was reduced due to adverse climatic conditions. In 2007, while production was reduced for many crops, rising commodity prices helped the agricultural labour productivity to regain its trend (Figure 3).

Figure 3 Growth of labour productivity in agriculture, Canada, December 2002 to December 2007



Source: Statistics Canada, Indexes of labour productivity and related variables, CANSIM Table 383-0012.

Farm finance

Agriculture’s net value added to the economy increases

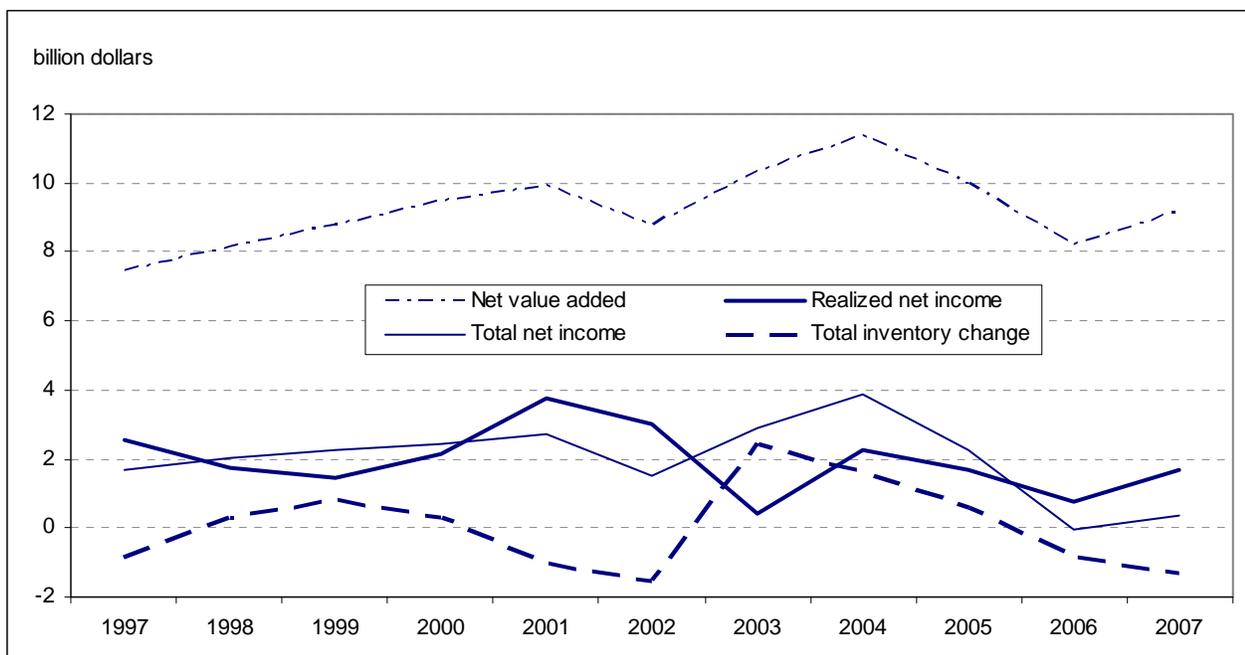
Agriculture’s net value added rose by 12.3% to \$9.2 billion in 2007, though it remained 5.6% below the previous five-year average (2002 to 2006) (Figure 4). Net value added measures agriculture's contribution to the national economy's production of goods and services. It is derived by calculating the total value of agricultural sector production, including program payments, and subtracting the related costs of production (expenses on inputs, business taxes and depreciation).

Income earned from production activities in the farm sector is distributed among producers for their contributions of land, labour, capital and management, and to other stakeholders in the form of interest charges, wages paid for non-family labour and rental payments to non-operators.

At the national level, about three-quarters, or \$6.9 billion, of net value added was paid to other stakeholders, up by 7.8% over 2006. Those involved in agricultural production received the remaining \$2.2 billion, up by 29.2% over 2006.

The total value of agricultural production grew by 5.4% to \$48.5 billion in 2007. In addition to total farm cash receipts, this measure of gross output includes sales to other farms, custom work receipts, farm land rent, income-in-kind and the value of inventory change.

Figure 4 Net farm income and net value added, Canada, 1997 to 2007



Source: Statistics Canada, Net Farm Income (21-010-X) and Agriculture Value Added Account-Agriculture Economic Statistics (21-017-X), Vol. 7, No. 1, released on May 26, 2008.

Realized net income rises

Despite declines in some provinces, realized net income (the difference between farmers' cash receipts and operating expenses, minus depreciation, plus income-in-kind) for Canadian farmers increased in 2007 following decreases in the two previous years. The impact of rising grain and oilseed prices more than offset large increases in operating costs and lower receipts for hog and cattle producers.

Realized net income rose from \$771 million in 2006 to \$1.7 billion in 2007. The 2007 level was 2.0% above the previous five-year average, which included the bovine spongiform encephalopathy (BSE) period and some years of low grain prices.

Provincially, Quebec, Manitoba, Saskatchewan and Alberta recorded gains in realized net income. In British Columbia, Ontario and the Atlantic provinces, realized net income dropped to very low levels. This difference was largely due to the variations in types of farming operations across provinces.

Total net income up despite lower farm inventories

Total net income for Canadian farms climbed from a negative value (-\$68 million) in 2006 to \$369 million in 2007 as the increase in net cash income more than offset the negative impact of declining inventories. Total net income adjusts realized net income for changes in the value of farmer-owned inventories of crops and livestock. It represents the return to owners' equity, unpaid labour, management and risk.

The value of inventories fell by \$1.3 billion in 2007, the second consecutive year in which farmer-owned stocks have declined. Three factors contributed to this decline: crop producers drew down farm stocks to meet demand and capitalize on stronger prices; decreases in yields lowered crop production in the Prairie provinces; and livestock numbers declined as more animals were shipped to the United States.

Higher grain, oilseed prices increased market cash receipts

Market cash receipts, revenues from the sale of crops and livestock, increased 12.3% in 2007 to \$36.4 billion. Crop receipts increased by 24.8% to \$18.2 billion, the largest annual increase in 13 years. Livestock receipts increased by 2.2% to \$18.2 billion as higher dairy and poultry revenues surpassed declines in hog and cattle revenues.

Market cash receipts fell in Prince Edward Island and New Brunswick, where potato revenues declined as prices declined. Farmers in the Prairie provinces experienced increases in cash receipts, mainly the result of rising crop prices.

Grain and oilseed prices have been increasing since the autumn of 2006, supported by growing food demand in large, emerging economies of Asia and expansion in the biofuel sector. Since that time, weather-related production issues in many of the world's major producing countries have tightened supplies, pushing prices to levels not seen since 2002.

Supply-managed commodities (dairy, poultry and eggs) experienced an 8.5% increase in revenues, the largest percentage annual increase in over 20 years. This occurred as prices rose to help cover increasing production costs.

Receipts for cattle and hog producers were adversely affected by the combination of reduced prices resulting from the appreciation of the Canadian dollar and higher feed costs. With more animals shipped to the United States, domestic slaughter decreased in 2007.

Program payments below previous five-year average

Program payments amounted to \$4.1 billion, a 9.8% decline from 2006 and 9.5% below the previous five-year average. This was due in part to improved grain and oilseed prices and lower support levels to

the livestock sector. Despite this decline, total farm cash receipts, which includes both market receipts and program payments, increased by 9.6% to \$40.5 billion in 2007.

Higher fuel, feed and fertilizer prices produce fastest growth in expenses since 1981

Producers faced an 8.2% increase in farm operating expenses in 2007 as fuel, feed and fertilizer prices increased sharply. This rate of growth, the fastest since 1981, pushed farm operating expenses to \$34.2 billion, 14.0% above the previous five-year average. Operating costs increased in every province. Other factors in the increase were rising interest expenses, labour costs and machinery fuel expenses, which increased by 6.0% from 2006.

The increase in grain and oilseed prices hit livestock producers hard, as feed costs increased by 21.8%. Fertilizer price hikes, affected in part by increased ethanol production in the United States, increased fertilizer costs by 21.9%. One-year increases of this magnitude have not been seen since the late 1970s.

While gains in interest rates and debt were not large compared to those of the recent past, they translated into a 10.6% rise in interest expenses. Labour costs continued to rise, reaching \$4.2 billion in 2007. However, two-fifths of these wages were paid to family members of farm operators and as such, form part of a farm family's overall income.

Agricultural production

Near-record prices for grains and oilseeds

Canadian wheat prices increased in 2007 by over US\$100 per tonne or approximately 40% to over US\$375 per tonne for milling grades. Durum prices more than doubled from 2006 to fluctuate between US\$650 and US\$750 per tonne in late December 2007. Barley prices also more than doubled while corn prices increased by about 50%.

Canadian crop farmers had mixed production outcomes in 2007. Wheat production (excluding durum) fell sharply in 2007 as a result of declines in yield and harvest areas. An increase in the harvest area raised the production of durum wheat. There was an increase in the production of feed grains (oats, barley and dry peas) and a decline in the production of oilseeds (canola and flaxseed) compared to 2006. A record grain corn harvest was reported in Ontario and Quebec.

The Prairie provinces started off with adequate to good soil moisture conditions in the spring followed by hot and dry conditions in mid-summer. As the 2007 harvest got underway many central and northern regions experienced cool and wet conditions that caused delays in harvest operations and worries about crop quality. The quality, while generally considered lower than 2006, remained above average.

In Eastern Canada, early favourable conditions deteriorated as hot weather and uneven distribution of precipitation lowered production expectations. However, a large harvest area and high yield in both Quebec and Ontario resulted in record production of corn for grain.

Prairie wheat production (excluding durum) declined in comparison to 2006. Prairie farmers reported a production of an estimated 14.7 million tonnes of wheat, down by 23.0% from 2006, a result of declines

in yield and harvest area. The production figures fell in all three Prairie provinces, and remained below their previous five-year averages. Estimated production declined by 28.2% in Saskatchewan, 21.0% in Alberta and 15.4% in Manitoba from 2006.

Durum wheat production rose by 10.0% in the Prairie provinces to an estimated 3.7 million tonnes. This increase was the result of a substantive gain in the harvest area to 1.9 million hectares. Despite the increased harvest area, decreases in yield caused durum production to remain well below the previous five-year average of 4.4 million tonnes. Provincially, durum production rose by 12.0% in Saskatchewan to an estimated 3.0 million tonnes, and in Alberta by 2.0% to 670,000 tonnes. The quality of the durum crop was considered better than average.

Production of both canola and flaxseed on the Prairies fell from the levels of 2006. Prairie farmers reported a fall in canola production by 3.2% to 8.7 million tonnes, the result of lower yields. The reduced production occurred despite a record harvest area of 5.8 million hectares. In Manitoba, canola production fell by 6.0% to 1.7 million tonnes. This decline occurred despite a record 1.1 million hectares planted. In Saskatchewan, canola production rose by 6.8% to 3.9 million tonnes, the result of an increase in harvest area to a record 2.9 million hectares. In Alberta, farmers reported a decline in canola production of 12.6% to 3.0 million tonnes. In all three Prairie provinces, however, production was above the previous five-year average.

Prairie flaxseed production declined by 36.0% to 633,500 tonnes, the result of a drop in the seeded area. The decrease in seeded area was the consequence of farmer expectations of lower prices at the time of seeding and larger than normal carry-in stocks from the 2006 crop. Canadian flax production was the lowest since 2004, and was well below the previous five-year average of 786,020 tonnes. Production was down in all Prairie provinces and declines ranged from 32.6% in Saskatchewan to 55.0% in Alberta.

Barley production increased to above-average levels in 2007. Farmers in all three Prairie provinces reported gains in production, with increases in harvested area more than offsetting declines in yield. Barley production was estimated at 10.3 million tonnes, up 1.4 million tonnes from 2006 and above the previous five-year average of 9.7 million tonnes.

Oat production on the Prairies rose by 24.4% to 4.2 million tonnes, an increase of 832,100 tonnes from 2006. The increase was the result of an above average yield and a 21.2% increase in harvest area. The previous five-year production average was 2.9 million tonnes. Gains in oat production were reported in Manitoba (24.6%) and in Saskatchewan (39.0%), while a decline (11.2%) was reported in Alberta.

Dry field pea production on the Prairies rose by 16.6% to 2.9 million tonnes, an increase of 417,200 tonnes from 2006. Prairie field pea production has risen considerably over the last decade. In 1997, production was only 1.8 million tonnes. Provincially, the results were mixed. Saskatchewan farmers reported a 24.0% increase in production to 2.3 million tonnes, the result of a record harvest area. A 5.6% decline in production to 97,700 tonnes was reported by farmers in Manitoba.

Farmers in Ontario and Quebec produced a record harvest of corn for grain, despite the varied and unreliable growing conditions in 2007. Farmers reported harvesting larger areas of corn for grain, mainly at the expense of soybean acreage. In Quebec, farmers reported producing 4.1 million tonnes of corn for grain, an increase of 51.8% compared to 2006. Two factors contributed to this high production: a higher yield and a record-matching harvested area of 445 thousand hectares. In Ontario, corn for grain production of 7.0 million tonnes exceeded the 6.0 million tonnes harvested in 1998. This represents an

increase of 19.0% from 2006. It was the near-record area of 850 thousand hectares that supported the new production mark.

Soybean production fell in both Quebec and Ontario. The largest decline was reported by farmers in Ontario, where challenging weather conditions reduced yield by 13.0 bushels per acre compared to 2006. In Quebec, farmers reported a 11.8% decline in production to 472,000 tonnes. This was the result of a 9.0% decline in harvest area and a drop in yield.

Cattle producers struggled with a strong dollar and rising feed costs

The year 2007 was a difficult year for the Canadian livestock industry. Cattle prices declined through the year as the US dollar continued to slide against the Canadian dollar. Appearing to recover from the BSE crisis, Canadian cattle prices started the year weak but steady, a trend that held through to the end of the summer. Unfortunately, just as the Canadian dollar gained parity with the US dollar in September, the US cattle price began to decline and that led to a further weakening of Canadian cattle prices.

Prices for slaughter cattle in the second half of 2007 were almost 6% below the comparable period in 2006. At the same time, costs for feed grains climbed to levels not seen for many years. For example, barley prices in Western Canada were about 60% higher in September 2007 than they were during the same month in 2006. Meanwhile, corn prices in Ontario were up more than 50%.

Not only do higher grain prices increase the cost of feeding cattle, they also put downward pressure on the prices that feedlots pay cattle producers for feeder cattle. Meat packing costs are also higher in Canada than in the United States, partially the result of new regulations requiring processors to follow specific procedures regarding the removal and disposal of specified risk materials (SRM's).

Canada's cattle herd continued to decline during 2007, as exports to the United States increased. The year 2007 marked the second full year that the United States border has been open to Canadian cattle shipments since 2002. As of January 1, 2008, producers reported 13.9 million head of cattle and calves on their farms, down by 210,000 head, or 1.5%, from January 1, 2007. Despite the decline, the January 1, 2008 inventory was 479,000 head above the size of the Canadian herd on January 1, 2003, prior to the border closure.

The U.S. border, closed after May 20, 2003 following the disclosure of a case of bovine spongiform encephalopathy (BSE), was reopened to live cattle less than 30 months of age on July 18, 2005. On November 19, 2007, it was opened to cattle born after 1999. Even with an open border, cattle farmers continue to face challenges, the most notable being weak cattle prices and higher feed costs.

Hog farmers faced financial pressure from lower prices and higher feed costs

Canadian hog inventories fell during 2007 as a strong Canadian dollar and high feed costs challenged producers. There were 13.8 million hogs on farms on January 1, 2008, one million fewer than on the same date in 2007.

Prices for slaughter and export hogs, largely determined in the United States and adversely influenced by a strengthening Canadian dollar, weakened during the second half of 2007. During the same time,

feed grain prices increased more than 50%. The Canadian hog industry is in a state of transition as higher feed costs and lower slaughter prices, which have been prevalent in the hog market for some time, have squeezed profit margins.

The financial pressure on hog producers was best highlighted using a ratio of hog price to feed cost. The lower the ratio, the worse is the situation for hog producers. In November 2007, the Ontario hog-corn ratio was 9.9, well down from 22.4 in 2006 and considerably lower than the 10-year average of 20.8. The hog-barley ratio in Alberta showed a similar drop.

Canadian hog exports to the United States reached 9.9 million head in 2007, exceeding the previous high established in 2006. Over two-thirds of exported animals were young hogs, called weaners, destined for feeding in the United States. At the end of 2007, with Canadian feed costs on the increase, Canadian producers moved towards exporting the weaners rather than weaning them in Canada.

Domestic hog slaughter continued to decline after reaching a high in 2004, consistent with soft domestic demand for pork, lower prices paid to producers and higher feeding costs. Hog slaughter dropped by 2.4% between 2006 and 2007.

Poultry and eggs

The value of poultry products totalled \$2.8 billion in 2007, a 10.6% increase from the previous year. Sales of poultry meat, including turkey, showed an increase of 13.3% with a total value of \$2.1 billion. The value of egg sales increased by 3.9% from 2006 to \$762.5 million.

Canadian farmers produced 1.2 million metric tonnes of poultry meat in 2007, virtually unchanged from 2006. In 2007, production of chicken (including stewing hens) accounted for 86% of all poultry meat produced and it increased by 3.3% compared to the previous year's production. Turkey production stood at 169,000 metric tonnes in 2007, an increase of 3.4% from 2006.

Egg production in 2007, at 577.4 million dozen, was down by 0.5% from 2006. Ontario and Quebec produce over half of the eggs in Canada. Ontario produced 227.0 million dozen eggs (39.3%) in 2007 while Quebec produced 101.5 million dozen (17.6%).

Dairy farm receipts rise

The dairy industry in Canada has evolved as better animal nutrition, genetics and know-how continue to increase the productivity of each cow. Canadian dairy farmers sold 7.6 million kilolitres of milk and cream to processors in 2007, up 2.1% from the previous year. Industrial milk sales, which accounted for 60.5% of all milk sold, totalled 4.6 million kilolitres. Fluid milk sales, at 3.0 million kilolitres, were 1.0% above the levels in 2006.

Canadian consumers purchased just over 3 million kilolitres of milk and cream during 2007, up 1.0% from 2006. Sales of 2% milk, the most popular milk product, were virtually unchanged at 1.25 million kilolitres. Sales of 1% milk and skim milk both increased, to 603 thousand kilolitres and 290 thousand kilolitres, respectively. Sales of standard (homogenized) milk, at 395 thousand kilolitres, declined by 2.0%. Total cream sales, at 291 thousand kilolitres, increased by 3.7% from 2006 levels.

Total Canadian production of variety and cheddar cheese in 2007 increased by 4.1% compared to 2006. Variety cheese production, at 228.7 thousand tonnes and cheddar cheese production, at 145 thousand tonnes, each increased by 4.1%. Butter production increased in 2007 to 78.6 thousand tonnes from 75.4 thousand tonnes in 2006.

Fruits and vegetables

Canada's fruit and vegetable farmers sold almost \$1.4 billion worth of produce in 2007. This represented a value comparable to the sales realized in 2006. The fresh market accounted for two-thirds of the fruit and vegetable sales.

Total vegetable sales in 2007 amounted to \$619 million, down by 5.5% from 2006. The most valuable vegetable crop was tomatoes, worth about \$82 million.

Farmers dedicated an estimated 110,402 hectares to vegetables in 2007. Vegetables with the largest cultivated areas included sweet corn, peas, beans, carrots, and dry onions. Sweet corn represented about one-quarter of the total area. However, the area dedicated to sweet corn has been declining since 1997.

Vegetable sales were concentrated in Ontario (44.2%) and Quebec (36.2%). Ontario farmers sold an estimated \$273 million in vegetables in 2007, down from \$291 million in 2006. In Ontario, tomatoes accounted for 27.1% of all vegetable sales, the highest proportion, followed by sweet corn (9.3%). Quebec farmers reported vegetable sales of \$224 million in 2007, down from \$231 million in 2006. The main crops in terms of sales were lettuce, carrots, dry onions, sweet corn and cabbage.

Total Canadian fruit sales increased by 2.5% to \$709 million in 2007 compared to 2006. The most valuable fruit crop was blueberries, worth an estimated \$189 million. The increase in total fruit sales was largely attributable to an 11.8% increase in apple sales, a 16.1% increase in grapes sales and a 22.5% increase in cranberries sales. The combined gains in sales of these three fruits surpassed the decline in blueberries sales which fell by 16.2% in 2007 compared to 2006.

Farmers had an estimated 112,051 hectares in fruit in 2007, with blueberries accounting for half this area. Acreages for blueberries, apples, grapes, plums and prunes declined in 2007, while cranberries and peaches increased in 2007 over 2006.

Farmers in just three provinces accounted for 82.3% of all fruit sales in 2007. Those in British Columbia represented 35.4%, followed by Ontario (32.9%) and Quebec (14.0%). British Columbia growers sold fruit worth an estimated \$251 million in 2007, up 16.2% from 2006. The gain was due to a 36.0% increase in sales of high bush blueberries, which in turn was due to a 23.1% increase in total area. High bush blueberries accounted for 36.8% of total fruit sales in British Columbia.

In Ontario, farmers sold \$233 million of fruit in 2007, a 17.0% increase over the previous year. The increase was mainly due to a 29.7% gain in apple sales.

In Quebec, farmers recorded total fruit sales estimated at \$99 million, down by 28.6% from 2006. A cold winter and spring frosts contributed to lower yields which resulted in a 55.6% decline in low bush

blueberry production in Quebec. In 2007, low bush blueberries dropped to second place in terms of sales behind apples. Apple sales remained almost unchanged at \$34.5 million.

Greenhouse, sod and nursery industries

After a long period of continuous growth that started in 1990, greenhouse expansion stalled in 2007, a consequence of the rising value of the Canadian dollar and higher labour and energy costs. Total greenhouse area under plastic and glass edged down less than 1% from a year earlier to approximately 20.9 million square metres in 2007.

Greenhouse operators reported total sales of \$2.3 billion, up less than 1% compared with 2006. Producers of flowers and plants accounted for two-thirds of total greenhouse sales, but for the first time since 1993, vegetable area, which was 10.7 million square metres, exceeded plant and flower area, which stood at 10.3 million square meters in 2007.

Sales of flowers and plants increased by 1.5% in 2007, with Ontario growers accounting for 52% of all flowers and plants sold by Canadian growers. Greenhouse growers sold \$806 million of vegetables in 2007, virtually unchanged from a year earlier, with tomatoes accounting for 44% of total vegetable sales. However, some producers switched production from tomatoes, with area planted falling by 3.7%, to peppers (+11.1%) and cucumbers (+3.6%).

The total nursery area increased 1.3% to 21,507 hectares in 2007 following two years of decline. Nursery sales increased by 5.5% to \$630 million, with sales to landscapers and garden centres accounting for 46% of total sales. The sod area increased by 1.8% to 23,862 hectares.

The nursery and sod industries employed 15,485 persons in 2007, a 10.1% increase over the preceding year. Sales of nursery and sod operations reached \$758 million in 2007, up by 5.6% from the previous year, with nursery operations accounting for most of the gain.

Food and consumer demand

Food prices

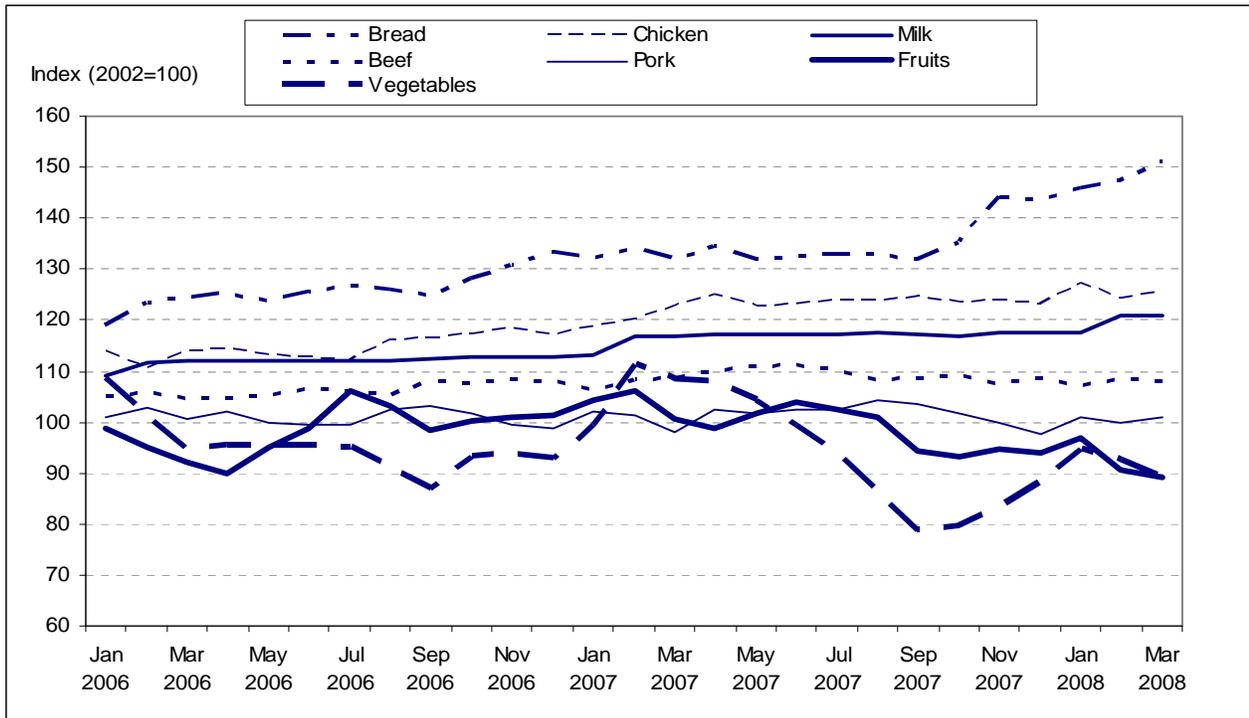
Grain and oilseed prices increased in 2007 as world grain stocks were approaching the lowest levels since 1980/81. Unlike some earlier declines in stocks that resulted primarily from changes in production and supply, the decline in 2007 appears to have been mainly because of changes in demand. One of the key reasons for these changes is believed to be improvements in incomes and living standards in developing countries, particularly China and India. This was accompanied by lower production in some major exporting countries and the diversion of a portion of corn and soybeans that would have been used for food or animal feed to the production of biofuel.

Increased commodity prices in world markets and the appreciation of the Canadian dollar especially against the US dollar seemed to have a mixed impact on retail prices of food products (Figures 5 and 6). Canadian retail prices of wheat flour and bread followed increases in world wheat prices. Bread prices rose during the last quarter of 2007 with the highest increase in November 2007 (about 6.6%). The average price of a loaf of bread was 7.1% higher in 2007 compared to that in 2006.

The strengthening of the Canadian dollar against the US dollar caused retail prices of some imported food items such as fresh fruits and vegetables to fall gradually over the year before they began to increase in November 2007 with rising fuel prices. As many of Canada’s fresh fruits and vegetables are imported, Canadian consumers were better off in terms of the prices paid for fruits and vegetables in 2007.

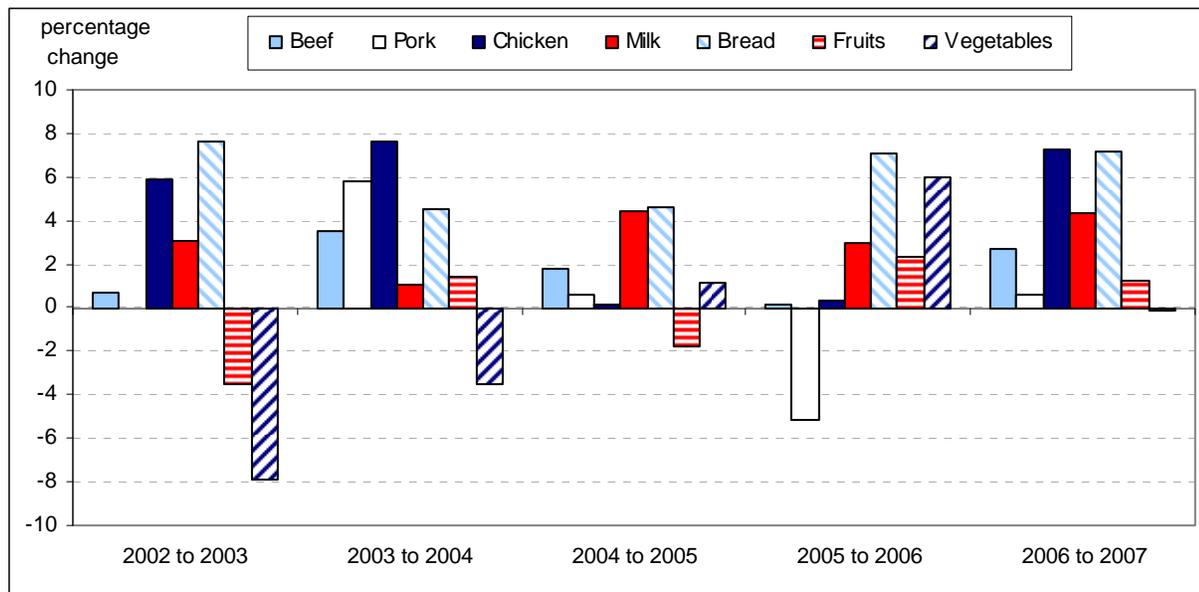
The average price of beef had an increasing trend up to the middle of 2007 and then went down slightly during the second half of the year. On average, beef prices went up by 2.7% in 2007 as compared to the prices in 2006 (Figure 6). The average price of pork, although recovered from the drop in 2006, remained almost unchanged in 2007 (Figure 6). The decline in cattle and hog prices during the second half of 2007, however, were not reflected in retail beef and pork prices (Figures 1 and 5). In 2007, the average price of chicken increased by 7.2% most of which occurred during the first four months of the year, while milk prices increased by about 4.4%.

Figure 5 Consumer price index (CPI) for food products as an indicator of the changes in food product prices, Canada, January 2006 to March 2008



Source: Statistics Canada, Consumer price index (CPI), CANSIM Table 326-0020.

Figure 6 Annual changes in the consumer price index (CPI) for food products, Canada, 2002 to 2007



Source: Statistics Canada, Consumer price index (CPI), CANSIM Table 326-0021.

Agricultural trade

Canada’s 2007 agricultural exports up by 10% to \$34.5 billion

Canada, one of the world’s leading agri-food trading nations, continues to export more agriculture and food products than it imports. For many farm enterprises, such as grain and oilseed, cattle, hog and greenhouse vegetable operations, trade has brought opportunities to expand into large and often new markets.

Canadian imports of agricultural and fishing products in 2007 increased by 8.7% over a year earlier to reach \$25.5 billion. All major commodity groups recorded increases with the exception of sugar and sugar preparations and cotton. Imports of corn, a primary input to biofuel, grew by over two-thirds as the biofuel industry continued to expand in Canada. Corn imports reached \$548 million, up from \$323 million in 2006.

Canadian exports of agricultural and fish products grew by 10.0% to \$34.5 billion in 2007, on the strength of wheat, barley and canola. Wheat exports remained strong, rising by 27.4% to \$4.6 billion. This increase was due to the combined effect of rising prices resulting from lower world supplies, and robust demand from countries such as India and China. Meanwhile, exports of barley used overseas as animal feed increased by 90.3% to \$489 million.

Increasing world prices for cooking oils and the use of canola in the production of biofuel increased the export of canola. In addition, world demand for canola, notably in oil form, increased as consumers turned away from hydrogenated oils. Lastly, droughts hurt some of the other canola suppliers. These combined forces exerted upward pressure on prices, increasing Canada’s canola exports to \$2.3 billion, a 28.1% gain.

Live animal exports also increased as more countries lifted their embargo on Canadian cattle imports. For example, Canada resumed exporting to Russia in May 2007 for the first time since the BSE crisis halted exports in May 2003. Similarly, the US border reopened to Canadian cattle over 30 months of age in November 2007, after being closed for four and a half years. This resulted in a 20.4% increase in exports of live animals to \$2.4 billion for the year.

Table Agricultural and fish products trade, Canada

Products traded	2006	2007	2006 to 2007
	millions of dollars		percentage change
Exports	31,326	34,463	10.0
Meat and meat preparations	4,278	4,154	-2.9
Fish and fish preparations	4,463	4,321	-3.2
Live animals	2,016	2,428	20.4
Wheat	3,640	4,639	27.4
Wheat flour	82	77	-6.1
Barley	257	489	90.3
Other cereals unmilled	408	607	48.8
Other cereal preparations	2,320	2,537	9.4
Canola	1,764	2,260	28.1
Other crude vegetable products	1,611	1,955	21.4
Alcoholic beverages	1,000	877	-12.3
Other food, feed, beverages and tobacco	9,487	10,119	6.7
Imports	23,454	25,496	8.7
Fresh fruits and berries	2,318	2,501	7.9
Dried fruits, fruits and fruit preparations	1,236	1,350	9.2
Fresh vegetables	1,786	1,922	7.6
Other vegetables and vegetable preparations	1,360	1,469	8.0
Cocoa, coffee, tea, and other food preparations	3,921	4,062	3.6
Beverages	2,887	3,197	10.7
Fish and marine animals	1,816	1,890	4.1
Meat and meat preparations	1,654	1,935	17.0
Dairy produce, eggs and honey	540	626	15.9
Live animals	165	181	9.7
Other cereals and cereal preparations	1,560	1,726	10.6
Sugar and sugar preparations	1,408	1,326	-5.8
Crude vegetable products	1,179	1,199	1.7
Fodder, feed, excluding unmilled cereal	983	1,130	15.0
Corn (maize) shelled	323	548	69.7
Tobacco	261	395	51.3
Cotton	57	39	-31.6
Net trade balance	7,872	8,967	13.9

Source: Statistics Canada, International Trade Division, Balance of payments basis.

Note to Readers

This report is in response to demand for an annual summary report for the agricultural sector and is a compendium of previously published Statistics Canada reports. The objective is a comprehensive statistical review of Canadian agriculture in 2007, a compilation of key statistical information along with the analysis and interpretations of Statistics Canada's economists and commodity specialists. Readers should note that the report reflects the most recent information available at the time of publication but that some of the information, particularly the financial information, may be subject to revision as further information for the year 2007 becomes available.