Farms, Farmers and Agriculture in Ontario

an overview of the situation in 2011

by the National Farmers Union, May 2011

The National Farmers Union (NFU) is a direct-membership, non-partisan national farm organization. Founded in 1969, and with roots going back more than a century, the NFU represents thousands of farm families from coast to coast. The NFU works toward the development of economic and social policies that will maintain family farms as the primary food-producers in Canada.

The NFU believes that agriculture should be economically, socially, and environmentally sustainable and that food production should lead to enriched soils, a more beautiful countryside, jobs for non-farmers, thriving rural communities, and biodiverse natural ecosystems. The NFU is a leader in articulating the interests of Canada's family farms, in analyzing the farm income crisis, and in proposing affordable, balanced, and innovative solutions that benefit all citizens.

In this report you will find relevant information that illustrates the current and emerging situation of Ontario farms and farmers by way of a series of graphs accompanied by brief explanations. The first part of the paper puts Ontario agriculture into the context of Canada as a whole. The next section provides information about farm numbers, farm sizes and types, and numbers of farmers. The report then looks at trade and processing numbers. The last section examines gross revenues, expenses, farm-gate and retail food prices, incomes from the markets, program payments and off-farm jobs, and finally farm debt.

This paper does not propose specific solutions, but is meant instead to provide food for thought by offering a high level overview of the situation Ontario from the perspective of the most up-to-date statistics available[1]. Some of what you read may reflect your own experience very closely – other information may be surprising and lead to ideas for further research. We invite you to discuss what you encounter in this report and to consider how today's situation is linked to federal and provincial agriculture policies and trade policies, both past and present.

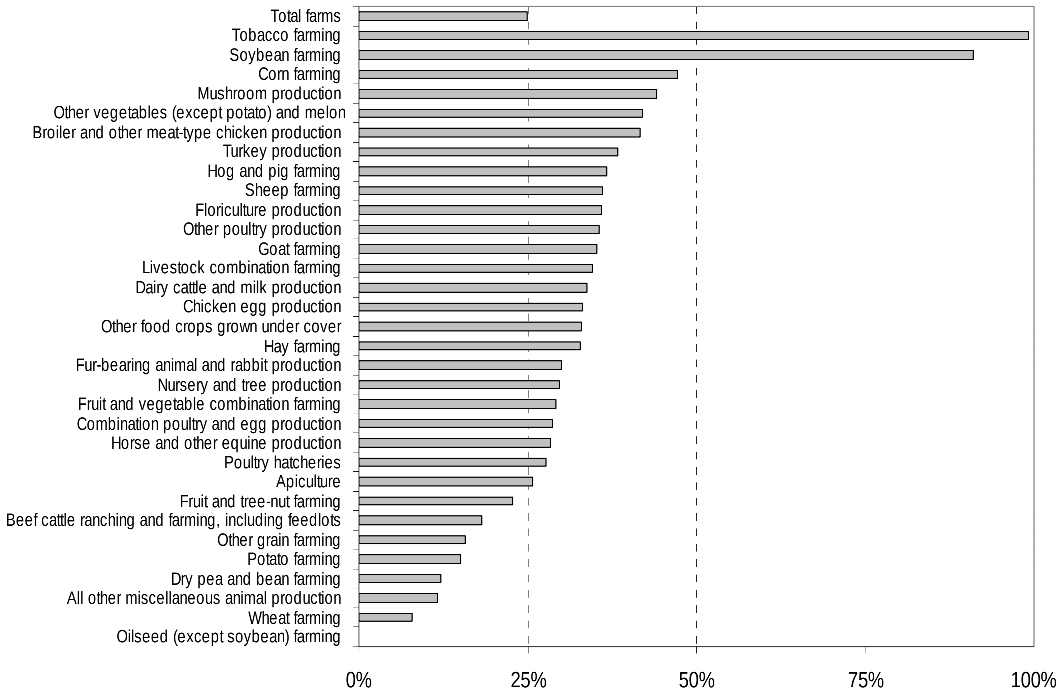
Ontario in Canada

Ontario's total population is just over 13 million and accounts for about 38% of Canada's population. Farmers make up about 1.5% of Ontario's population. In 2006, at the time of the most recent Census of Agriculture, Ontario accounted for about one quarter of Canada's gross revenues from agriculture, with about 25% of Canada's farmers and 8% of Canada's farmland.

Ontario grows over 90% of Canada's soybeans, nearly all the tobacco grown in Canada, and has nearly half of Canada's corn farms. In relation to the rest of Canada, Ontario is also strong in vegetable production, mushrooms, broilers, turkeys, pigs and sheep. While beef, grain and fruit are important types of farms in Ontario, other parts of Canada produce a greater portion of these products within Canada. Ontario's share of Canada's dairy and egg farms is in proportion to Ontario's population.

[1] The most recent Census data is from 2006. The first set of data from the 2011 Census of Agriculture will likely be published in 2013 based on past practice. The Statistics Canada Farm Financial Database is complete to 2008. Other Statistics Canada reports come out more frequently, and thus more recent data is available for some measures.

Ontario Farms as Percent of Canada's Farms by Industry, 2006

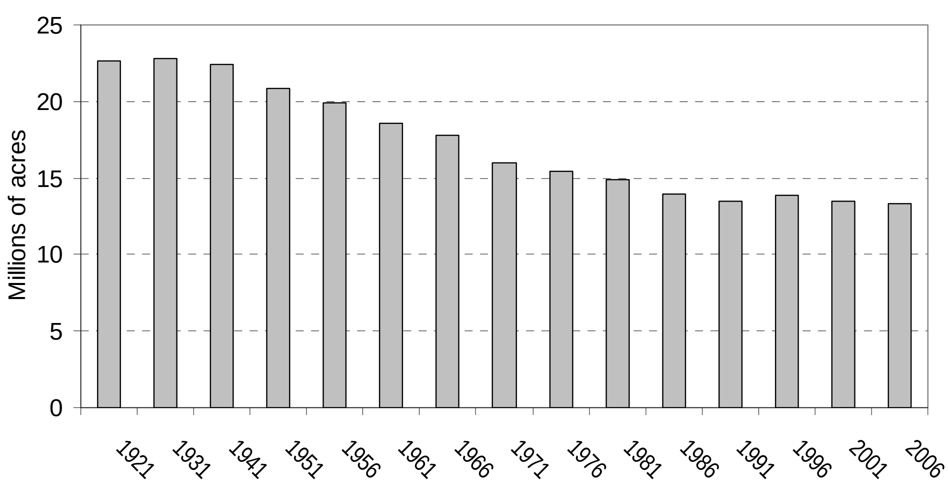


Source: Statistics Canada: Census of Agriculture

Farms and Farmers in Ontario

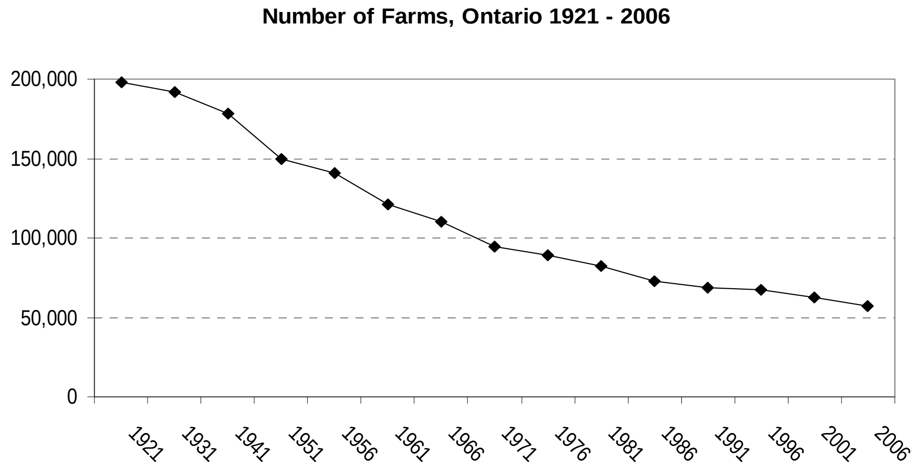
The amount of land being farmed in Ontario has decreased 42% since 1921, and average farm size has nearly doubled to 233 acres from 114 acres. In addition, Ontario has lost over 9 million acres of farmland since then.

Total Acres Farmed - Ontario 1921 - 2006



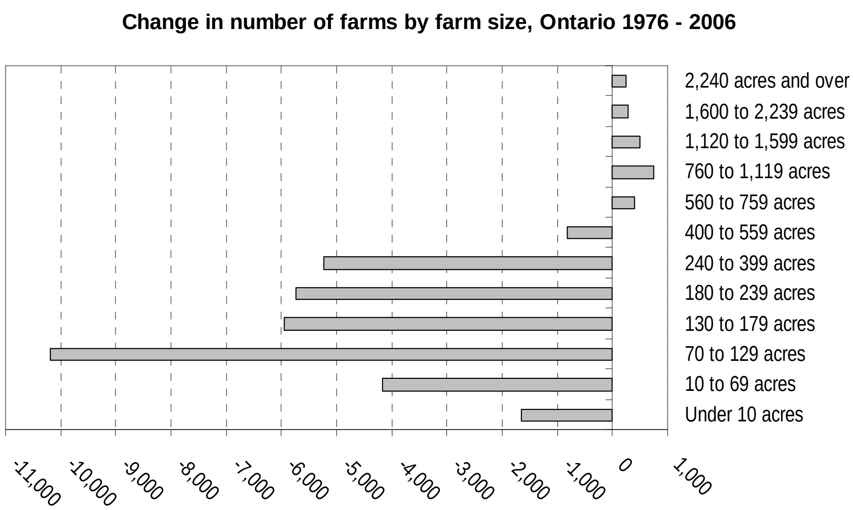
Source: Statistics Canada: Census of Agriculture

The number of farms is continuing to fall. There were nearly four times as many farmers in 1921 as today, and in the last 20 years alone we have lost 25,000 Ontario farms.[2]



Source: Statistics Canada: Census of Agriculture

These small and mid-sized farms have been the hardest hit by the farm crisis, with thousands of farms in that size range having disappeared between 1976 and 2006.



Source: Statistics Canada: Census of Agriculture

The graph below, showing percent change in farm numbers by size, shows a very interesting relationship. The curved line indicates that the conditions since 1976 have dramatically and systematically favored the

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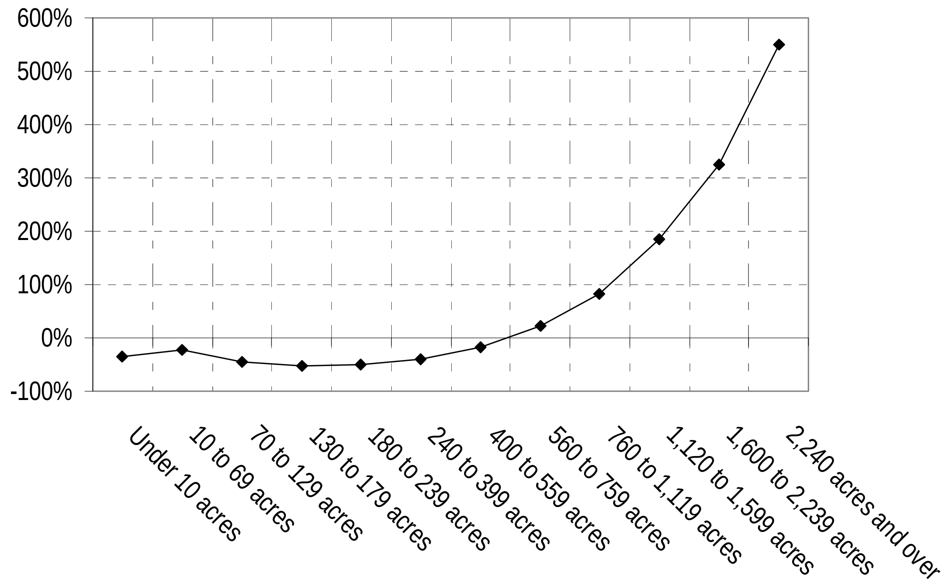
[2] Since 1996, a census farm has been defined as an agricultural operation that produces at least one of the following products intended for sale: crops (hay, field crops, tree fruits or nuts, berries or grapes, vegetables, seed); livestock (cattle, pigs, sheep, horses, game animals, other livestock); poultry (hens, chickens, turkeys, chicks, game birds, other poultry); animal products (milk or cream, eggs, wool, furs, meat); or other agricultural products (Christmas trees, greenhouse or nursery products, mushrooms, sod, honey, maple syrup products). In earlier years the definition was slightly different, but had a sales threshold. The current definition is the most inclusive definition of farms historically used by Statistics Canada. While farm numbers data is not 100% comparable, reduction in farm numbers over time cannot be attributed to the changes in measurement. See http://www.statcan.gc.ca/pub/95-629-x/2007000/4123857-eng.htm for details.

largest farms as they have become nearly 6 times as numerous, while farms from 130 acres to 240 acres have been disadvantaged, resulting in a loss of around half of those farms.

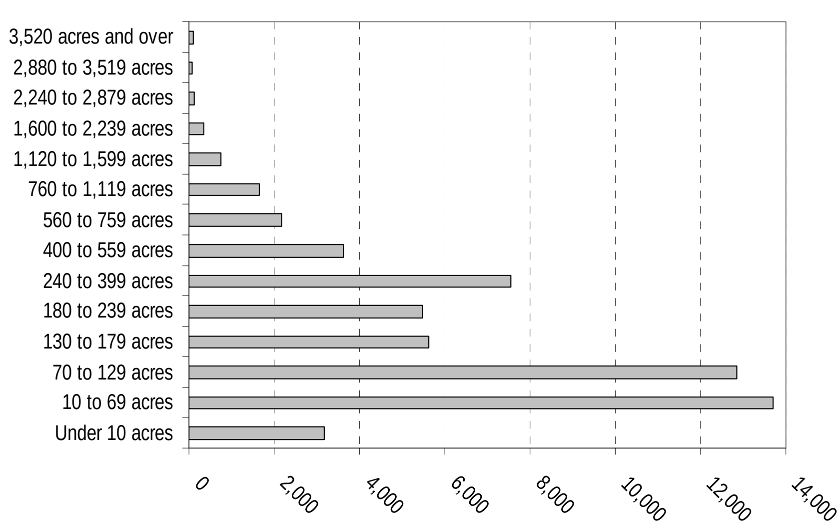
Percent change in number of farms for each class of farm size between 1976 and 2006



Source: Statistics Canada: Census of Agriculture

In spite of the reduction in mid-sized farm numbers and the increasing average farm size, the vast majority of Ontario farms are still between 10 and 400 acres in size.

Number of farms by size of farm, Ontario 2006

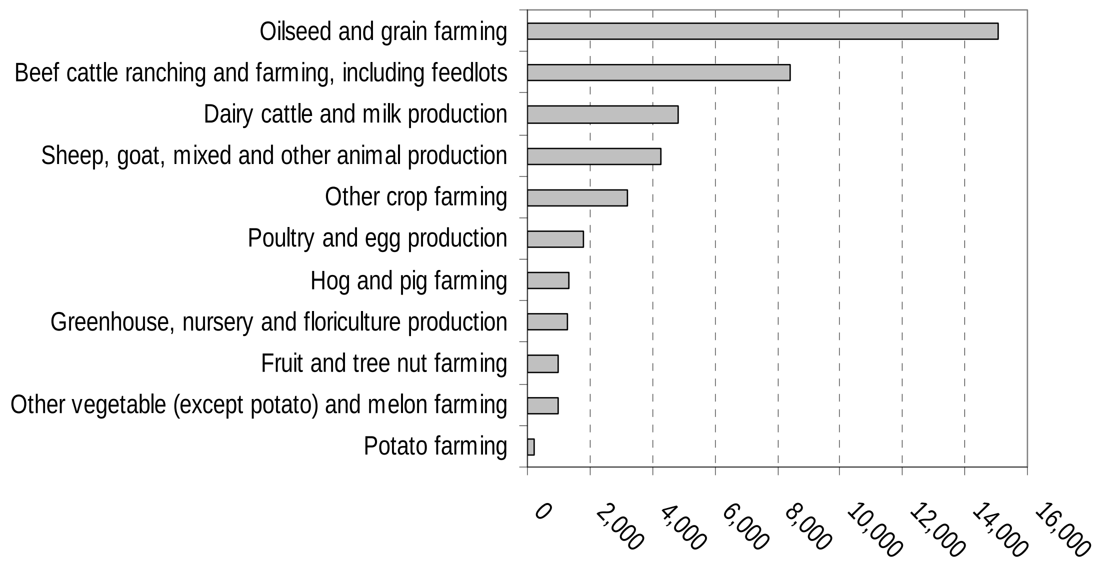


Source: Statistics Canada: Census of Agriculture

Diversity of Ontario Farms

Ontario has a diversity of types of farming, with grain and oilseed farms being most common, followed by beef cattle production, dairy, other animal production and farms growing other crops. Smaller numbers of Ontario farms produce hogs, poultry and eggs, fruits, vegetables and potatoes.

Estimated number of farms by type, Ontario 2009

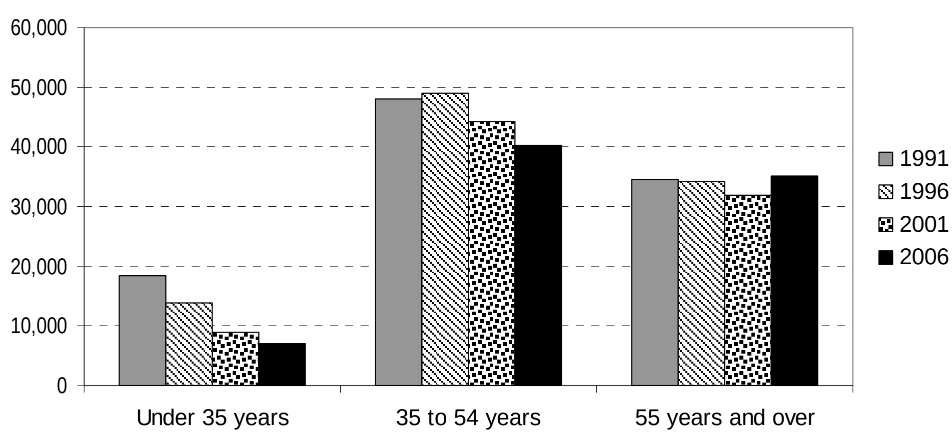


Source: Canadian Farm Financial Database

Age of Farmers

Most Ontario farmers are between 35 and 54, and the average age of farmers has risen to nearly 53, compared with the average age of 41 for Ontario workers in general. The number of younger farmers has been steadily decreasing, indicating that the loss of farmers overall may well be due to economic barriers to entry for young people.

Number of farm operators by age, Ontario 1991 - 2006

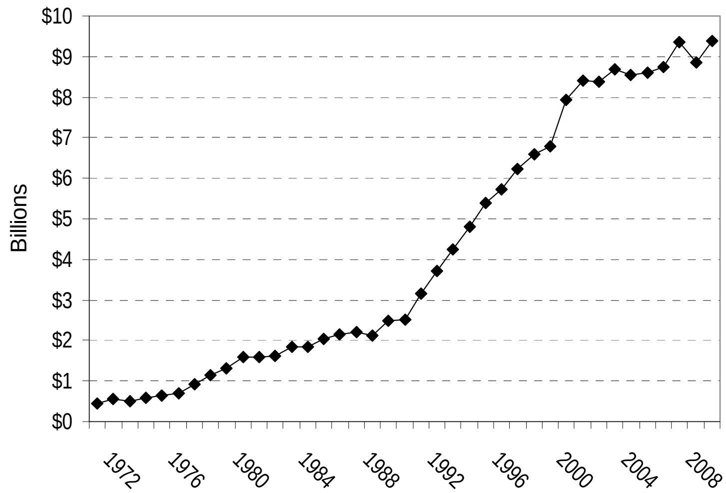


Source: Statistics Canada: Census of Agriculture

Exports and Imports

Ontario's agriculture is increasingly export-oriented, with a sharp increase in the expansion of exports from 1992 onward.

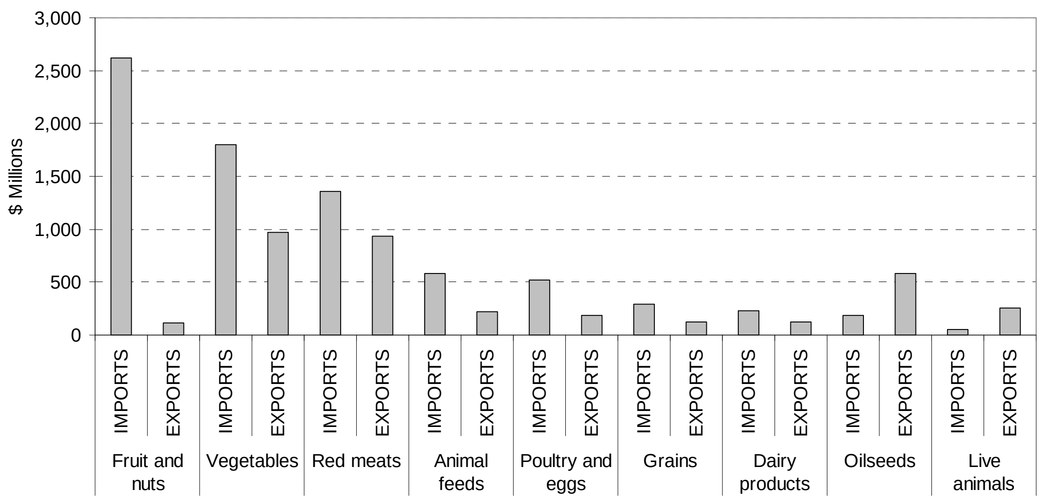
Total Agri-food Exports, Ontario 1972 - 2010



Source: International Trade Statistics, Statistics Canada Prepared by: Statistics Unit, OMAFRA

The main exports from Ontario in 2010 were grain products, vegetables, and red meat. Ontario also imports a lot of food, with fruit, vegetables, beverages, other prepared food and grain products accounting for the largest dollar value.

Imports to and Exports from Ontario of selected agricultural products, 2010



Source: Ontario Ministry of Agriculture Food and Rural Affairs

Looking at the statistics comparing imports to and exports from Ontario, we can see that Ontario consumers rely heavily on fruit and vegetables from outside the province – the market for these products is larger than what Ontario farmers are currently growing. Notably, Ontario both imported and exported significant amounts of red meat – with imports exceeding exports by about $424 million.

Processing Capacity

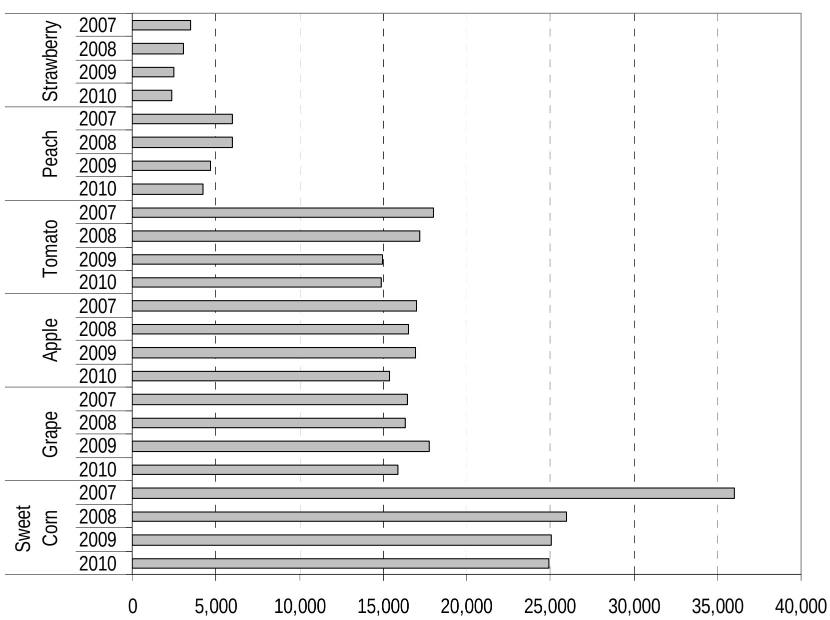
The ability to sell perishable farm products such as meat, dairy, fruit and vegetables depends upon the availability of processing facilities within a reasonable distance for transport.

In 2010 there were 36 federally inspected slaughterhouses in Ontario. Of these, 9 kill cattle, 8 kill hogs, 8 kill sheep and 21 kill poultry. There were also 151 provincially inspected abattoirs in Ontario. Ontario has 92 federally-inspected and 32 provincially-inspected dairy processing establishments.

Ontario farmers sell nearly one-third of fruit and over 40% of the vegetables produced commercially in Canada. The total amount of fruit and vegetable produced is declining however. As of 2009, Ontario had only 16 canning and 12 frozen food manufacturing establishments that had over 100 or more employees[3]. In 2008 CanGro closed its peach and pear canning facility – the last remaining one east of the Rockies – as well as its sweet corn, pea and other vegetable canning plant. According to Statistics Canada, loss of processing capacity is responsible for most of the decline in production of sweet corn, green peas, tomatoes and cucumbers in Ontario. Sales of apples have also declined.

The graph below shows a year-to-year decline in the number of acres of vegetables planted and the number of acres of fruit land producing a commercial yield (i.e. excluding those trees and vines not yet in production) each year, in all the main crops except grapes.

Commercial fruit acres bearing and vegetable acres planted, Selected crops, Ontario 2007 - 2010



Source: Statistics Canada

Revenues

Gross farm revenues are increasing over time, but realized net farm income (what a farmer gets to keep after paying expenses) is falling.

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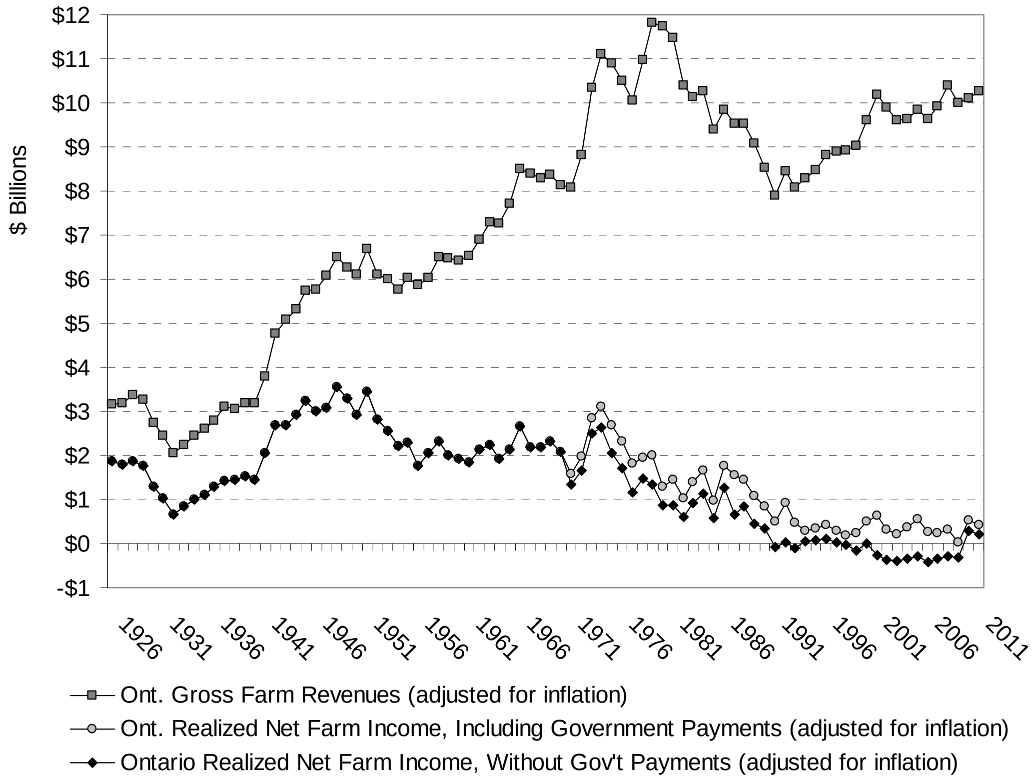
[3] Canadian Industry Statistics, Fruit and Vegetable Canning, Pickling and Drying (NAICS 31142) and Frozen Food Manufacturing (NAICS 31141)

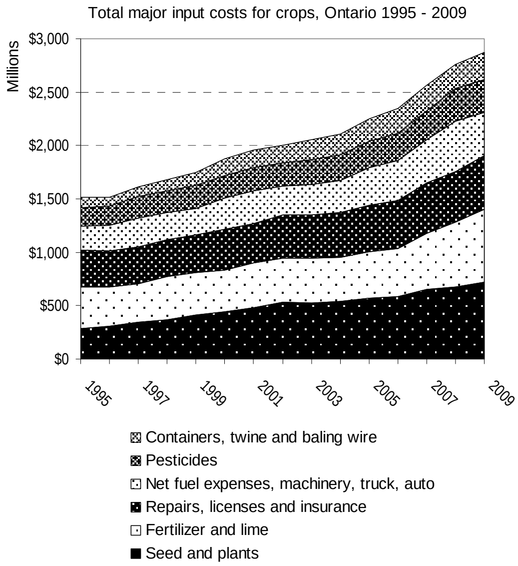
Ontario Gross Farm Revenue and Realized Net Farm Income with and without Program Payments 1926 - 2011



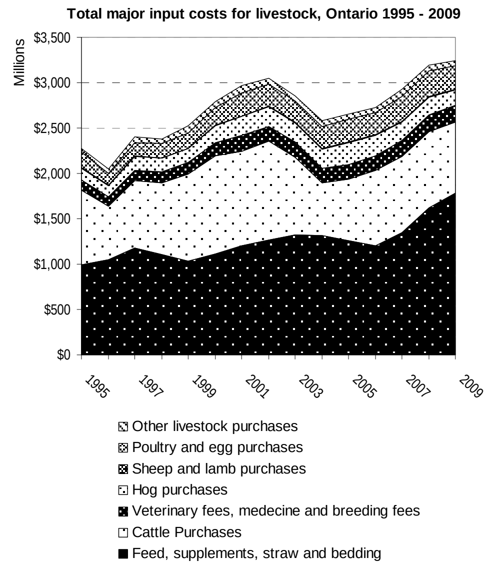
Source: Statistics Canada

Expenses

The expense of running a farm keeps going up. The costs for fuel, fertilizer, chemicals, and seed keep increasing. There is a vicious circle as farmers try to make up for low margins by increasing volume, but to get higher yields it is necessary to buy more inputs – all increasing risk to the individual farm, as there is no guarantee that the selling price will be enough to pay all the bills. The two expense graphs below quite neatly fit into the gap between realized net farm income and gross farm revenue in the graph above. Note that the cost of seed has approximately doubled between 1995 and 2008, and the cost of feed has climbed by about one-third during the same period.



Source: Statistics Canada: Canadian Farm Financial Database

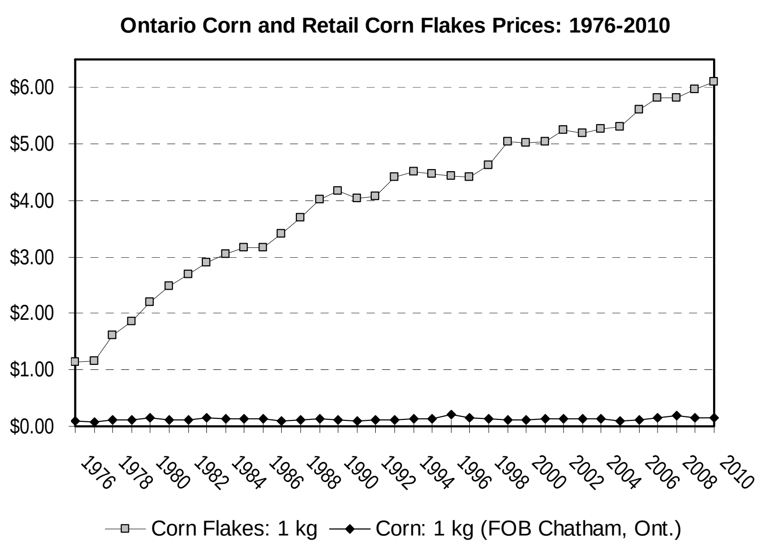


Source: Statistics Canada, Canadian Farm Financial Database

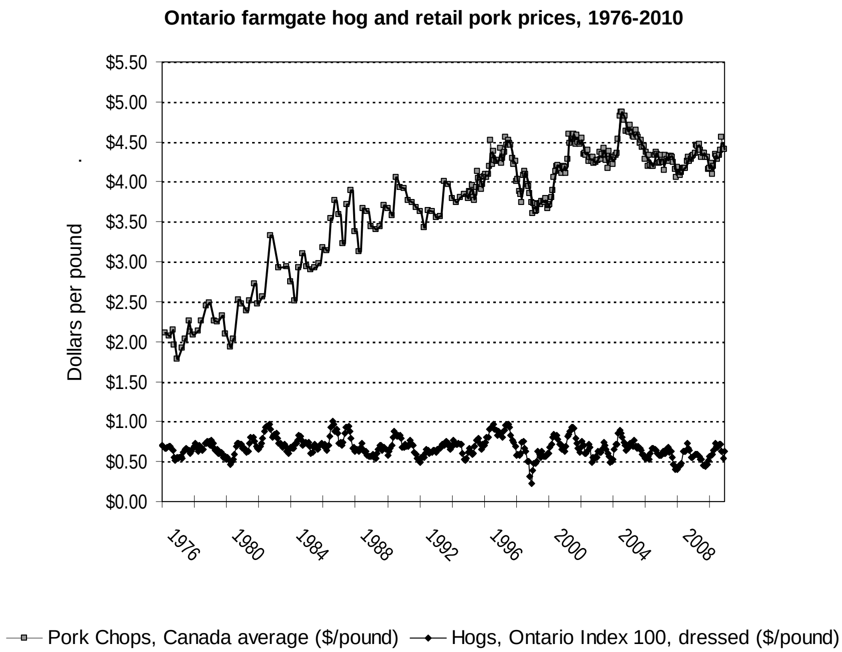
Prices

The prices of most farm products have remained at a near constant level for many years, while the price of food in the grocery store keeps going up. Recently there has been talk in the media about record high food prices, but it is clear that the farmer is not the beneficiary. The link between farm-gate prices and the retail checkout stand is broken. Between the farmer and the eater stand the grain trade, the food processing industry and the retail grocery sector.

The graphs below show that the price of corn has remained steady for decades, while the price of cornflakes in the grocery store has been rising, and that hog prices have been hovering between 50 cents and a dollar a pound while the price of retail pork has been going up year after year.

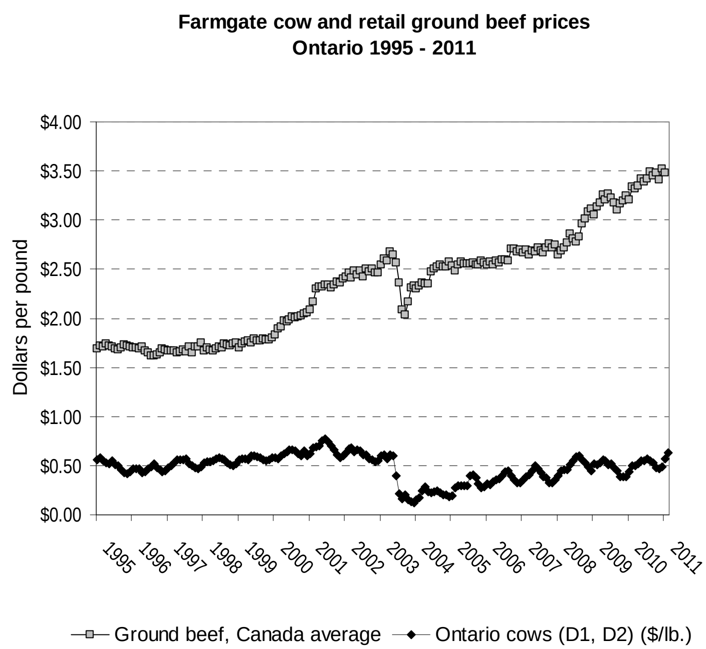


Sources: Canada Grains Council Statistical Handbook, Statistics Canada



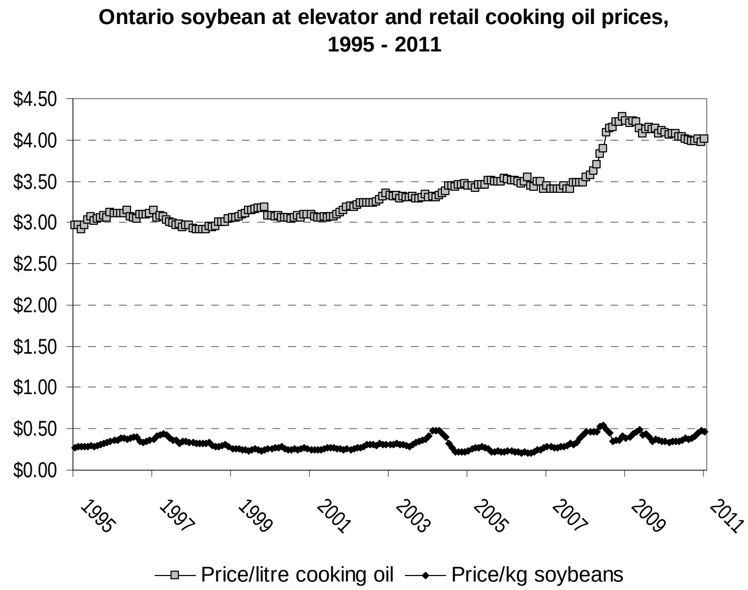
Source: Statistics Canada

The price of slaughter cows dropped dramatically in 2003 as a result of the BSE crisis shutting down the US export market for beef. The price has barely recovered to the price seen fifteen years ago. The price of ground beef in the grocery stores took a short dive in 2003, but has resumed its steady climb.



Source: CanFax, Statistics Canada

A similar relationship exists between the farmer's price for soybeans and the grocery store price for cooking oil, though with one striking difference. In 2009 the price of cooking oil went up dramatically, while the price of beans didn't budge. Perhaps this anomaly was due to speculation on oilseeds by buyers looking to sell into the anticipated market for feedstock to produce biodiesel. In any case, whatever pushed up retail prices did not have an impact on the price being paid for soybeans at the Chatham elevator.



Source: Statistics Canada, Agriculture and Agri-food Canada

Farm incomes – from the market

Ontario's realized net farm incomes are low, and actually falling, in spite of increased overall revenues. Adjusted for inflation, the realized net farm income today is less than it was during the Great Depression. (See gross farm revenue and realized net farm income graph on page 8 above)

Farm incomes – from program payments

The proportion of income derived from the market compared with that from program payments[4] tells a story of inequity: the largest farms take more than their share of program payments. And this has been increasing over time. The graph below shows that farms with a million dollars and more in annual gross revenues have been deriving less and less of their income from the marketplace and more and more from government programs.

The claims of efficiency by large units are disproven by their weaker performance in the market relative to smaller farms and their proportionately greater dependence on transfers of public money. The two sets of pie graphs below show that between 1995 and 2008 the proportion of total market income adjusted for capital cost allowance obtained by the largest farms in Ontario fell from 15% to 5%, while the smaller operations increased their share of the value produced from about one-third to nearly half of all agriculture dollars earned in the marketplace.

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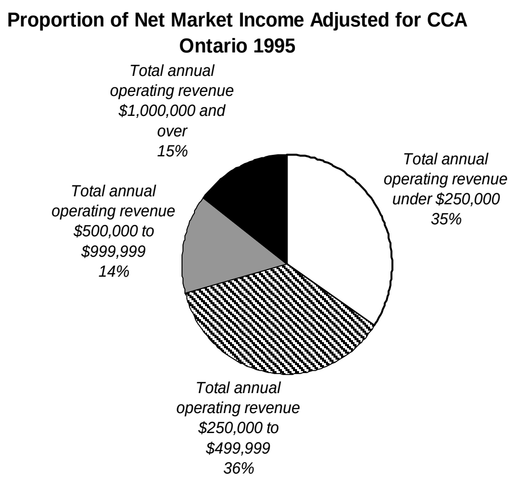
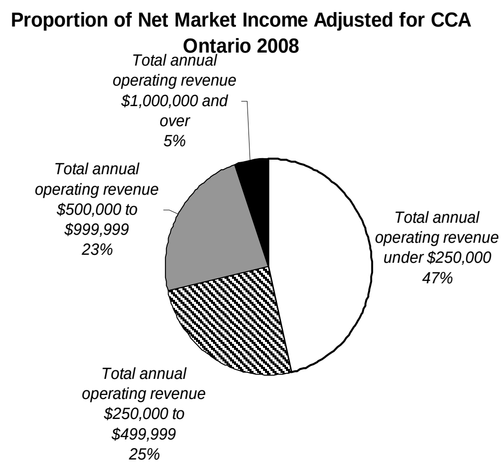
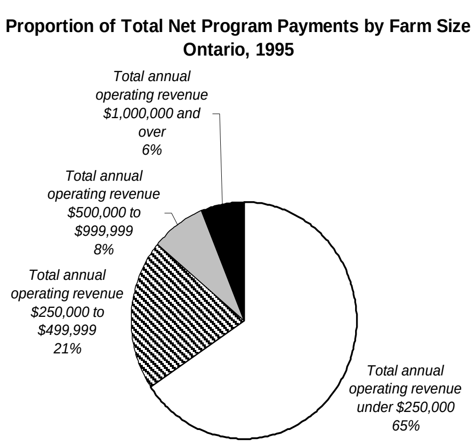
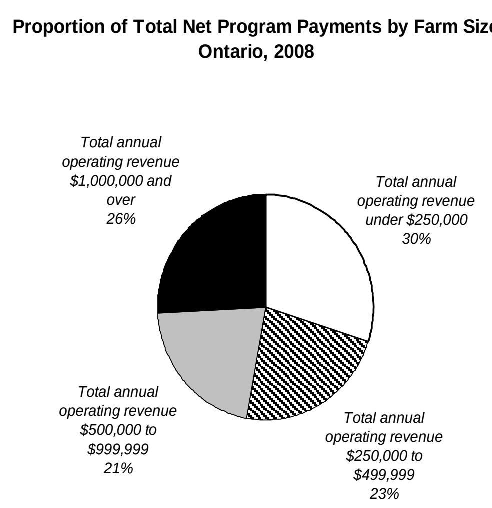
4 Statistics Canada defines program payments and insurance proceeds as income from: provincial stabilization programs; federal and provincial Business Risk Management and disaster assistance programs such as the Ontario Whole Farm Relief Program (OWFRP) and the Ontario Farm Income Disaster Program (OFIDP) in Ontario; the Canadian Agricultural Income Stabilization (CAIS) program and the AgriStability Program, including interim payments; Gross Revenue Insurance Program (GRIP), now terminated; government payments and other subsidies (such as hog incentive programs, acreage payments, assistance for clearing land and government grants); aggregate amounts reported for subsidies, patronage dividends and reimbursements; and insurance proceeds from programs (private and government) for crops and livestock due to adverse weather conditions, disease or other reasons.

During the same period, program payments shifted dramatically towards the biggest farms. While they got 6% of program payments 16 years ago, today the largest farms receive 26%. In contrast, smaller farms' share went from two-thirds to less than one-third of total program payments. At the same time, total program payments rose from just over $30 million per year to nearly $150 million – a five-fold increase.





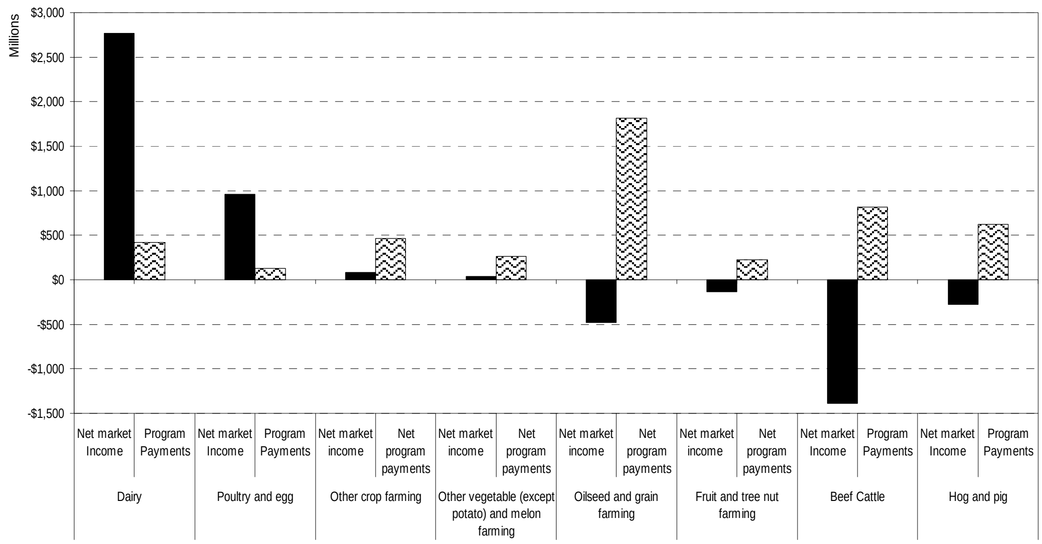




Source: Statistics Canada, Canadian Farm Financial Database

Looking at market income versus program payment income by sector, dairy, poultry and eggs, which are under supply management, obtain much larger proportions of their incomes from the market and rely less on support payments than other sectors such as grain and oilseeds, beef cattle and hogs.

Total Net Market Income and Total Program Payments, selected Ontario Farm Sectors 1995 - 2008

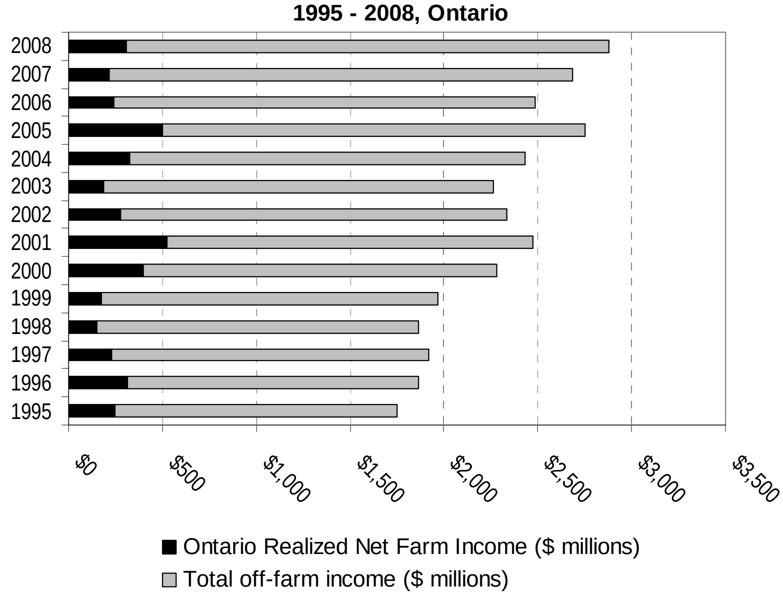


Source: Statistics Canada, Canadian Farm Financial Database

Farm incomes – from off-farm jobs

Farm income is made up of sales through the market, program payments and off-farm income. With the first two being insufficient, farm families increasingly relying on off-farm employment, which surely represents added stress and makes farming more difficult. Farm families are relying more than ever on off-farm income. In effect, the cost of food production in Canada is being subsidized by farm family members who live on money earned in other lines of work.

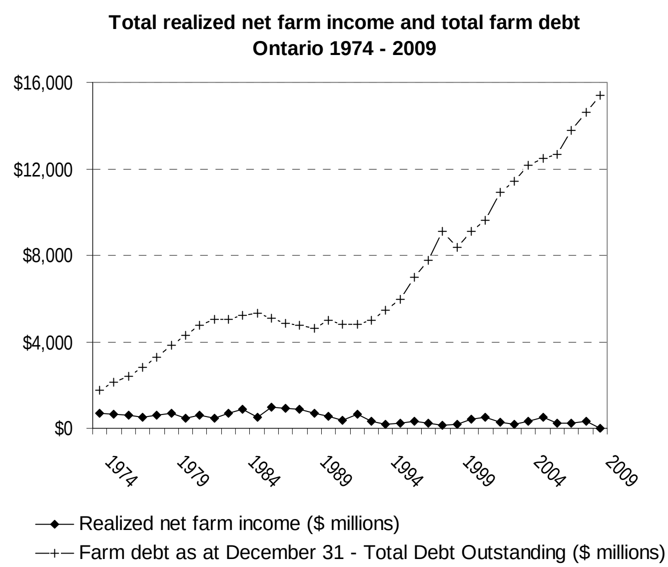
Total realized net farm income and total off farm income 1995 - 2008, Ontario



Source: Statistics Canada, Canadian Farm Financial Database

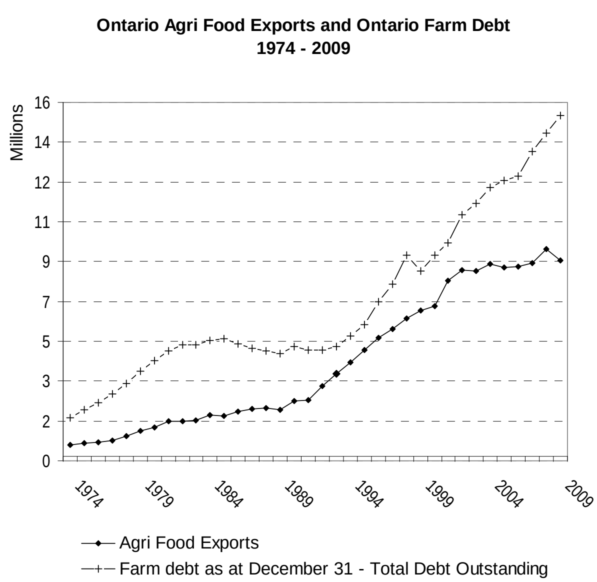
Farm debt

Farm debt is increasing dramatically. Debt represents the difference between the required investment in farming and what farmers are able to earn. As the gap keeps increasing, it is clear that there is a structural problem. Yet the finance sector benefits from this long-term deficit: interest payments on farm debt represent a transfer of wealth from farm production into the financial sector. While current interest rates are low, the ability of farms to sustain bank payments if the interest rate rises significantly is a big question mark.



Source: Statistics Canada

Federal and provincial agriculture policies make increasing international trade a top priority. The increase in trade has paralleled the increase in farm debt, as the graph below shows. Increased trade is clearly not the answer to the farm crisis.



Sources: Statistics Canada, Ontario Ministry of Agriculture Food and Rural Affairs

Conclusion

The data presented in this report provides evidence that only a few large farms are benefiting significantly within the current policy environment in Ontario. The majority of farmers are struggling. Yet this majority still produces most of the food and does it most efficiently, while also providing the social backbone to rural communities.

The NFU has produced several briefs, papers and reports as well as articles in our *Union Farmer Quarterly* that can provide insight into the issues raised in this brief. We encourage readers to consider ideas for solutions that have been presented in the pages of NFU documents such as:

- *Losing Our Grip: How a Corporate Farmland Buy-up, Rising Farm Debt, and Agribusiness Financing of Inputs Threaten Family Farms and Food Sovereignty* (2010),
- *"Free Trade": Is it working for farmers?* (2010)
- *NFU presentation on competitiveness and competition to Commons Agriculture Committee* (2009)
- *The Farm Crisis and the Cattle Sector: Toward a New Analysis and New Solutions* (2008)
- the *NFU Submission on Local Food* (2008)
- *Submission to Ontario Farm Products Marketing Commission review of Ontario Hog Board* (2008)
- *Report on Farm Input Costs* (2008)
- *Farm Women and Canadian Agricultural Policy* (2006)
- *The Farm Crisis and Corporate Profits* (2005)
- *The Farm Crisis: Its Causes and Solutions* (2005)
- *Solving the Farm Crisis: A Sixteen-Point Plan for Canadian Farm and Food Security* (2005)
- *The Farm Crisis, Bigger Farms, and the Myths of "Competition" and "Efficiency"* (2003)

These are available as downloadable PDFs our website at www.nfu.ca.

In addition, please share your own stories of what you see around you and discuss what it means to your reality as farmers. You may well come up with new ideas about what needs to be done in order to get from here -- the situation as it exists as outlined in this paper -- to a better situation based on our NFU vision for agriculture in Ontario and Canada.

This page can be used for your notes, ideas, questions, etc.

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