Vision Research

Optimism in the crop sector

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Farm Credit Canada
Advancing the business of agriculture

Canada

Vision Research:
Optimism in the Crop sector

Your optimism is strong

Your optimism about the future of agriculture is still strong. More than half of you in 2008 (56%) state that you are optimistic, which remains constant from 2007 (57%). Eight in ten of you believe that your farm or business is better off now than it was five years ago (82%), while seven in ten of you believe that your farm or business will be better off in five years than it is now (71%). Additionally, four in ten of you (37%) have recommended a career in agriculture to a friend or family member in the past year.

You are still facing challenges

Given the economic activity that has taken place over the past year we know that producers in Canada are facing many challenges. You explained that you are concerned with rising input costs and how they are hampering your ability to make a profit. In 2008 you are significantly more likely cite that rising input costs (64%) is the greatest challenge you are facing than in 2007 (54%), and your comments reveal that you are becoming frustrated that these high costs have increased far more than commodity prices.

The future is looking bright

Although you cite that the challenges you are facing are becoming more pressing, your comments suggest that the future is looking bright. You are looking ahead, and seven in ten of you (70%) would encourage others to enter the industry. Your comments reveal that you feel the crop sector involves many risks; however you feel that it is a great lifestyle choice. You are looking forward to increasing commodity prices, the increasing demand for your product and the possibilities of ethanol/biofuel production. You are resilient, and despite the market fluctuations you have encountered, you are optimistic about the future.

Background and Details

Farm Credit Canada undertook its second annual proprietary research study on the state of agriculture in Canada with all of its Vision panel members in the fall of 2008. The results will be showcased on January 28, 2009 for the second annual Ag Day in Canada. They include levels of optimism in the agriculture industry, as well as what members of the agriculture community view as the greatest opportunities and challenges facing them today. Additionally, the research is an opportunity to enable the ideas and opinions of Vision panelists to help shape the general understanding of agriculture for everyday Canadians.

Methodology

The Research team within Farm Credit Canada sent invitations to participate in the study to all active FCC Vision members from across the country, totaling 9351 people. Vision membership is composed of both producers and non-producers, FCC customers and non-customers, and has representation from all provinces and agriculture sectors. The survey was mailed to participants on September 20, 2008, with requests to return the survey by October 20, 2008. Members had the option of completing the survey via mail, fax or online. All data was subsequently weighted to reflect the actual demographic makeup of farms in Canada.

Confidentiality

To ensure greater candour in their responses, participants were given a guarantee of confidentiality throughout the course of this research. No individual responses are revealed in the course of the report.

Response Rate

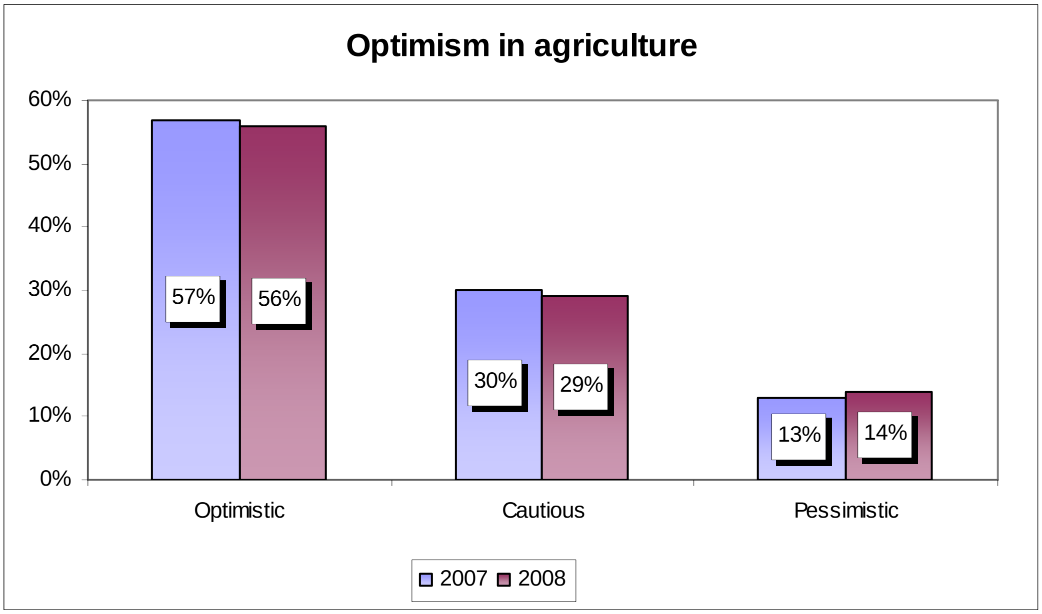
A total of 4308 people out of a possible 9351 responded to the survey for a response rate of 46%. Of the 4308 respondents, 1278 indicated crops as their primary business. The margin of error is +/-1.5%, 19 times out of 20 on a sample of this size. Demographic subgroups will have a higher margin of error.

Note on the Analysis of Subgroups

When reference to subgroups of respondents such as province is made throughout the text, only those differences that are *both* statistically significant *and* relevant will be highlighted.

Results: Optimism in agriculture

More than half of all crop respondents in 2008 (56%) are optimistic about the future of agriculture in Canada. There are no significant differences to report between the 2007 and 2008 results.



(n = 1289, 2007; n = 1278, 2008)

Definition of optimism

The results of two key survey questions are combined in order to create this optimism indicator. The first is, “Looking ahead, do you believe that your farm or business will be better off or worse of in five years than it is now?” An answer of either a little better off or much better off counted towards the optimism score. The second question is, “If a friend or family member was considering a career in agriculture or an agricultural related field, would you encourage them to enter the field?” An answer of either slightly encourage them or strongly encourage them counted towards the optimism score.

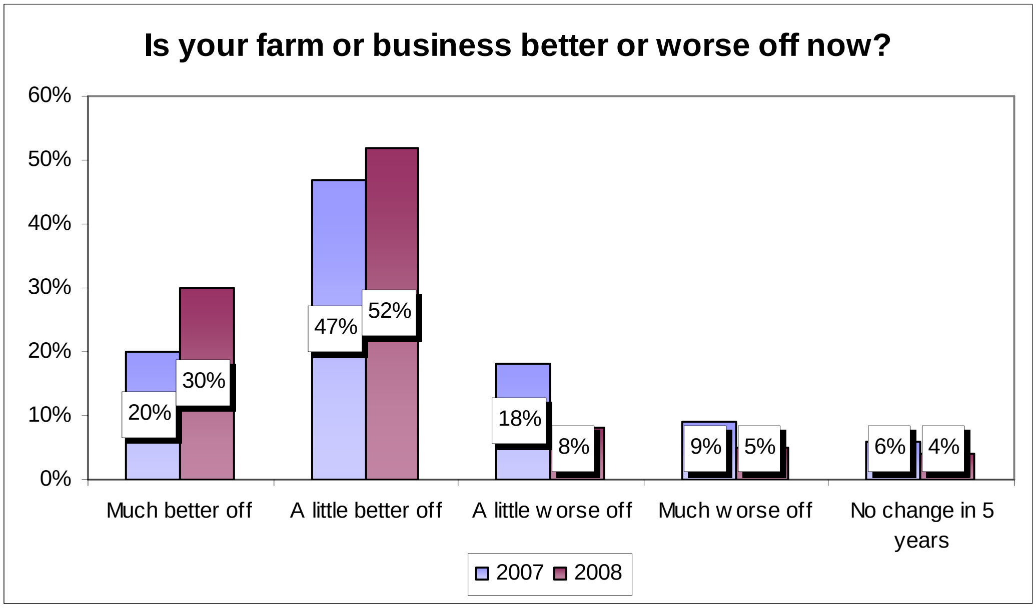
If a respondent reported that they believe their farm or business will be better off ***and*** they would encourage a career in agriculture, they were defined as optimistic. If a respondent reported that they ***either*** believe their farm or business will be better off ***or*** they would encourage a career in agriculture, they were defined as cautious. If a respondent reported that they ***do not*** believe that their farm or business will be better off ***and*** they would discourage a career in agriculture, they were defined as pessimistic.

Response by province: 2008

There are no significant differences to report across provinces.

Results: Is your farm or business better or worse off now?

Crop respondents in 2008 are significantly more likely to report that their farm or business is much better off (30%) or a little better off (52%) now than it was five years ago compared to crop respondents in 2007 (20% and 47% respectively). There are no other significant differences to report.



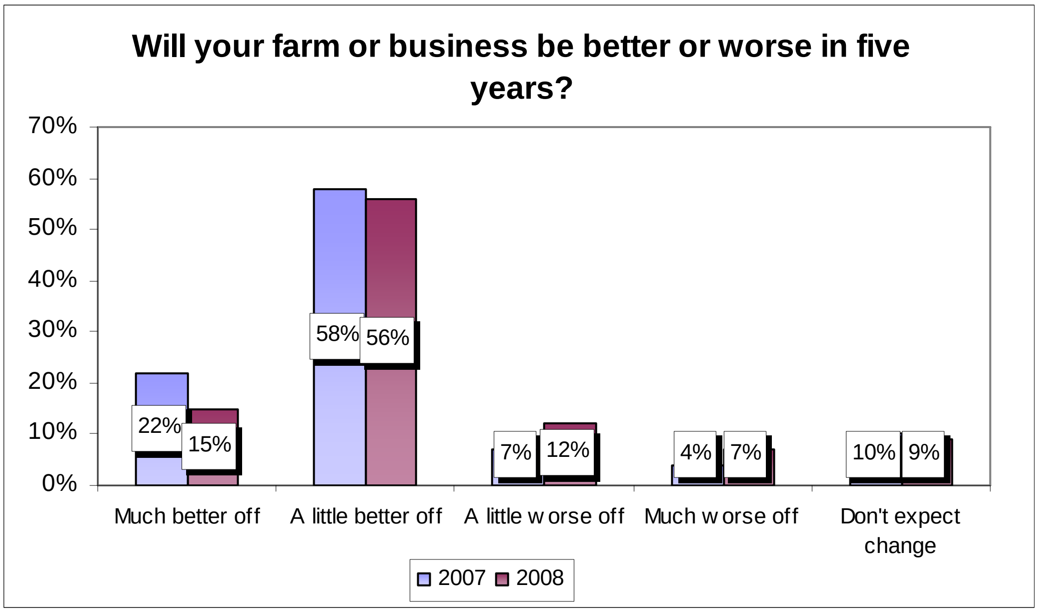
Overall, do you believe that your farm or business is better off or worse off now than it was five years ago? (n = 1289, 2007; n = 1278, 2008)

Response by province: 2008

Crop respondents from Manitoba (34%) and Saskatchewan (32%) are significantly more likely to report that their farm or business is much better off now than it was five years ago compared to crop respondents from Ontario (22%). Additionally, crop respondents from Ontario (11%) are significantly more likely to state that their farm or business is much worse off now than it was five years ago compared to crop respondents from Manitoba (3%) and Saskatchewan (3%).

Results: Will your farm or business be better or worse in five years?

Crop respondents in 2008 are significantly more likely to believe that their farm or business will be a little worse off (12%) or much worse off (7%) in five years than it is now compared to crop respondents in 2007 (7%, 4% respectively). There are no other significant differences to report.



Looking ahead, do you believe that your farm or business will be better off or worse off in five years than it is now? (n = 1289, 2007; n = 1278, 2008)

Results by province: 2008

Crop respondents from Alberta (9%) and Ontario (8%) are significantly more likely to believe that their farm or business will be much worse off in five years than it is now compared to crop respondents from Manitoba (3%). There are no other significant differences to report.

Results: Guarded optimism

We asked respondents to comment on the previous two questions, specifically if their farm or business is better or worse off now than five years ago, and if they believe it will be better or worse off in five years. Crop respondents have mixed feelings regarding optimism; the most common comment indicates that rising input costs counter optimism (47%), while strong commodity prices increase optimism (23%). A sample of the comments is detailed below.

> *"If grain prices remain at a reasonable price, farming will once again become viable. This is the first time in 32 years of farming that the prices have returned to a level that makes farming feasible."*

> *"The price of the commodities has helped, but with the increased revenue comes increased expenses. The cost of fuel and fertilizers has put a major strain on all farmers. It seems that even if the oil and gas prices drop, the cost of fuel and fertilizer remain the same."*

> *"Might be a little better if the grain prices stay at what they are now. It might be reversed if the input costs keep on climbing the way they are this fall."*

> *"The improvement in commodity prices is helpful but if the trend continues in astronomical fuel and fertilizer costs as well as chemical price increases, we will not be able to carry on."*

> *"Grain prices have increased nicely but input costs have skyrocketed, grain prices have already dropped back substantially, but farmers will not see much drop in inputs."*

> *"Commodity prices have improved tremendously, but need to remain at high levels to offset the equally tremendous rise in the input costs."*

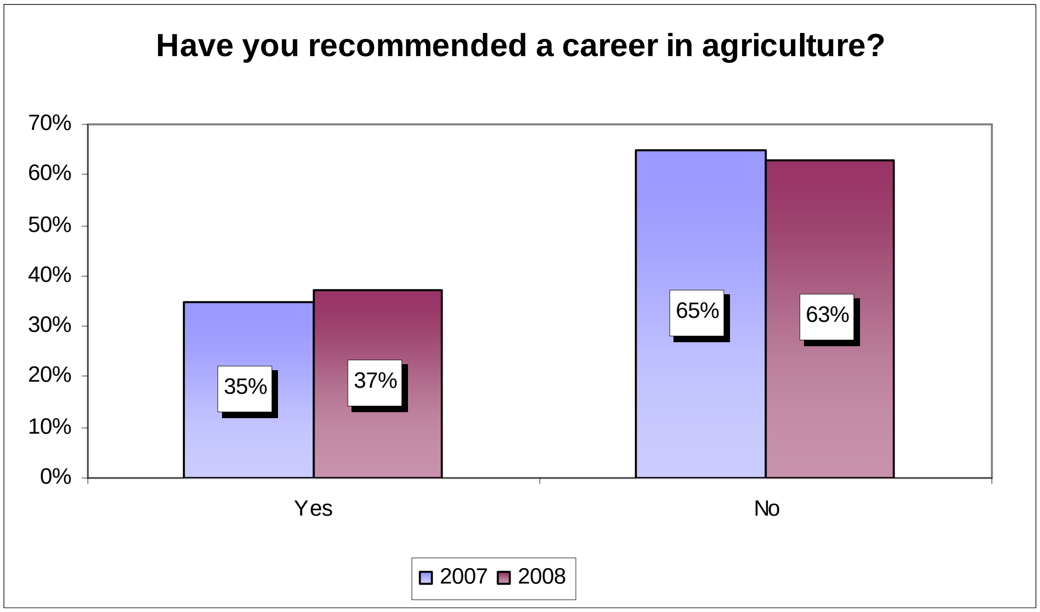
> *"The commodity price increase has been a dramatic increase in attitude and profit. BUT something must be done to control the input costs…"*

> *"Hopefully, farming turns around especially for the young farmers that are there. Prices are better but input costs have doubled and now we're still where we are: behind the eight ball."*

> *"Crop yields and prices have improved in the past 2 years. We are using the resulting cash flow to reduce debt and improve our position going forward. Depressed prices and/or drought would again cause hardship."*

Results: Have you recommended a career in agriculture?

Nearly four in ten crop respondents (37%) cite that they have recommended a career in agriculture to a friend or family member over the past year. There are no significant differences between the 2007 and 2008 results.



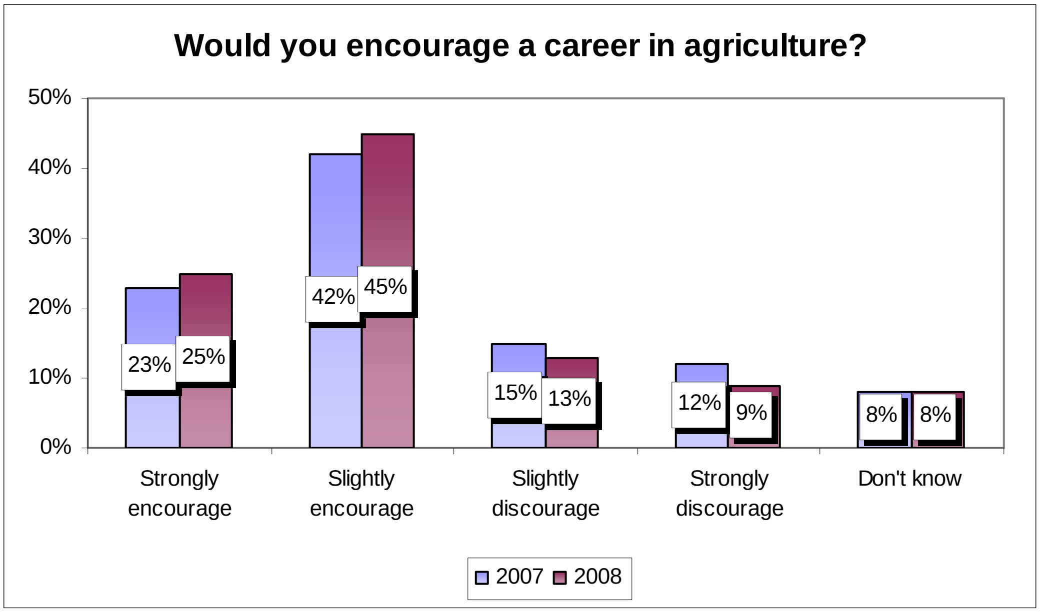
Over the past year, have you recommended a career in agriculture or an agricultural related field to a friend or family member? (n = 1289, 2007; n = 1278, 2008)

Results by province: 2008

Crop respondents from Manitoba (46%) are significantly more likely to state that they have recommended a career in agriculture to a friend or family member over the past year compared to crop respondents in Saskatchewan (35%). Meanwhile, crop respondents from Ontario (68%) are significantly more likely to state that they have **not** recommended a career in agriculture to a friend or family member over the past year compared to crop respondents in Alberta (59%). There are no other significant differences to report.

Results: Would you encourage a career in agriculture?

Crop respondents in 2008 (9%) are significantly ***less*** likely to state that they would strongly discourage a friend or family member from entering agriculture compared to crop respondents in 2007 (12%). There are no other significant differences to report.



If a friend or family member was considering a career in agriculture or an agricultural related field, would you encourage them to enter the field? (n = 1289, 2007; n = 1278, 2008)

Results by province: 2008

Crop respondents from Manitoba (32%) are significantly more likely to state that they would strongly encourage a friend or family member to enter a career in agriculture compared to crop respondents from Alberta (24%), Saskatchewan (24%) and Ontario (20%). Crop respondents from Ontario (14%) are significantly more likely to state that they would strongly discourage a friend or family member from entering a career in agriculture compared to crop respondents from Alberta (8%), Saskatchewan (8%) and Manitoba (7%). There are no other significant differences to report.

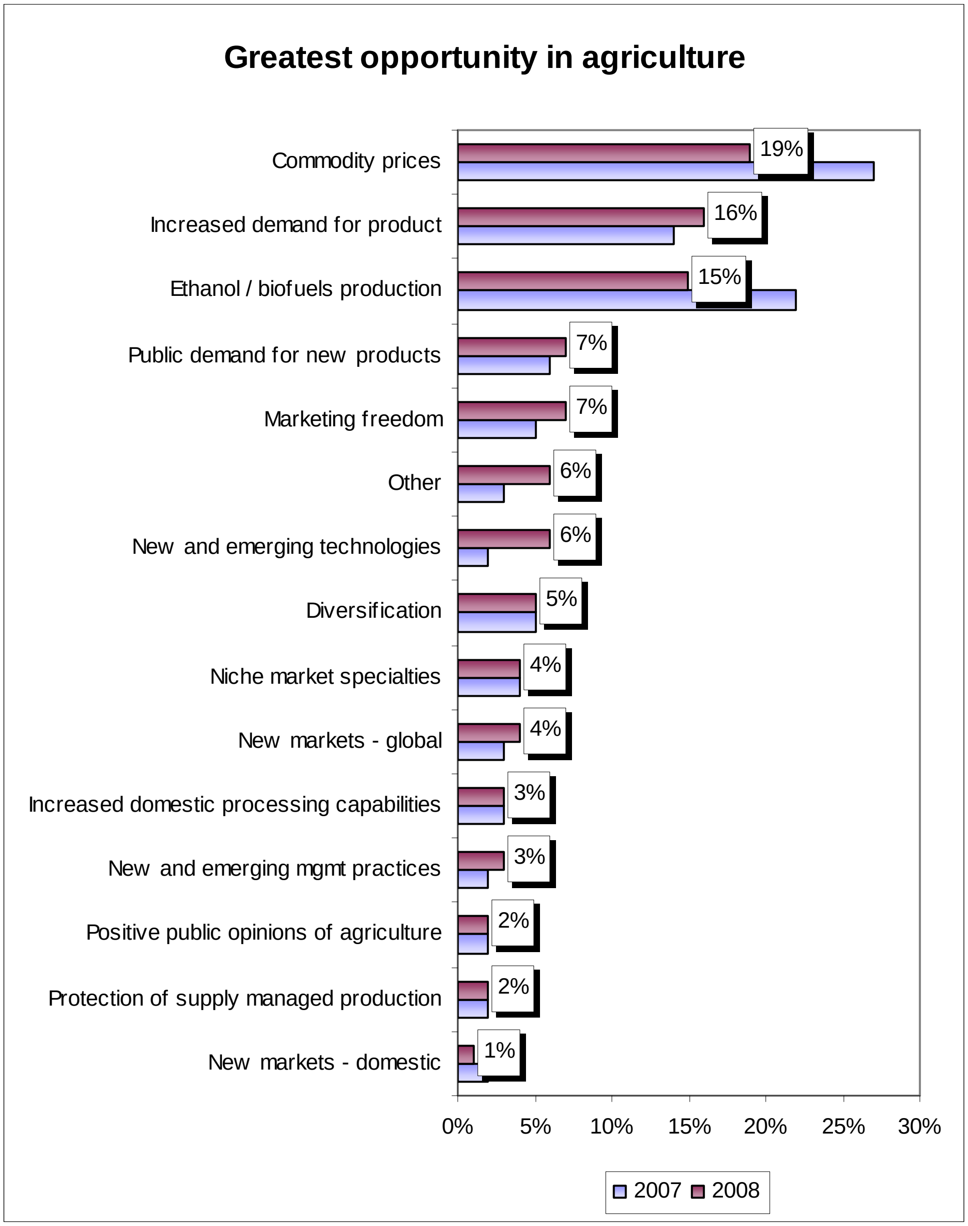
Results: **Why would you encourage / discourage an agriculture career?**

Respondents from the crop sector continue to recommend careers in agriculture to friends or family members, and we asked respondents to explain their responses. Respondents from the crop sector commonly cited that agriculture is a high risk business (12%) but at the same time it is a good lifestyle choice (11%). A sample of the comments is detailed below.

> *"The risks are too great in Agriculture for individuals. The ROR (rate of return) in agriculture would make an oil industry executive resign."*
>
> *"I feel agriculture and farming provide a challenge. You never do the same thing two days in a row. I see this career as the "farming game" which requires more strategy and smart decision making everyday. I love the challenge in what I do."*
>
> *"Risk is too great, and there is no program in place that a producer can manage the high risk of producing food to feed the world."*
>
> *"It is the best life there is. Living and working close to the land and truly being your own boss is priceless."*
>
> *"Farming is one of the most unstable ways to make a living. It is a great gamble: we have no control over our input prices or our commodity sales."*
>
> *"I would encourage [someone to enter agriculture], however, it is a dangerous game. Much like high stakes gambling."*
>
> *"Agriculture as had its ups and downs [but] it's a great and rewarding life style. It builds strong valued people. Working with mother nature and all its ways to change things annually or even daily lets you understand that there is something or somebody much more in control than yourself."*
>
> *"It is a good way of life, and also a good place to raise a family."*
>
> *"Agriculture is the best industry for family life: it allows a person to be independent- a small business owner."*
>
> *"I enjoy being my own boss, I enjoy growing a good crop. We have been looking forward for 20 years to see prices where they are at. As soon as the prices get to were they need to be, inputs make it evaporate. Very discouraging!"*

***Results:* Greatest opportunity in agriculture**

Crop respondents in 2008 are significantly ***less*** likely to cite commodity prices (19%) and ethanol/biofuel production (15%) as the greatest opportunities in agriculture compared to crop respondents in 2007 (27% and 22% respectively). There are no other significant differences to report.



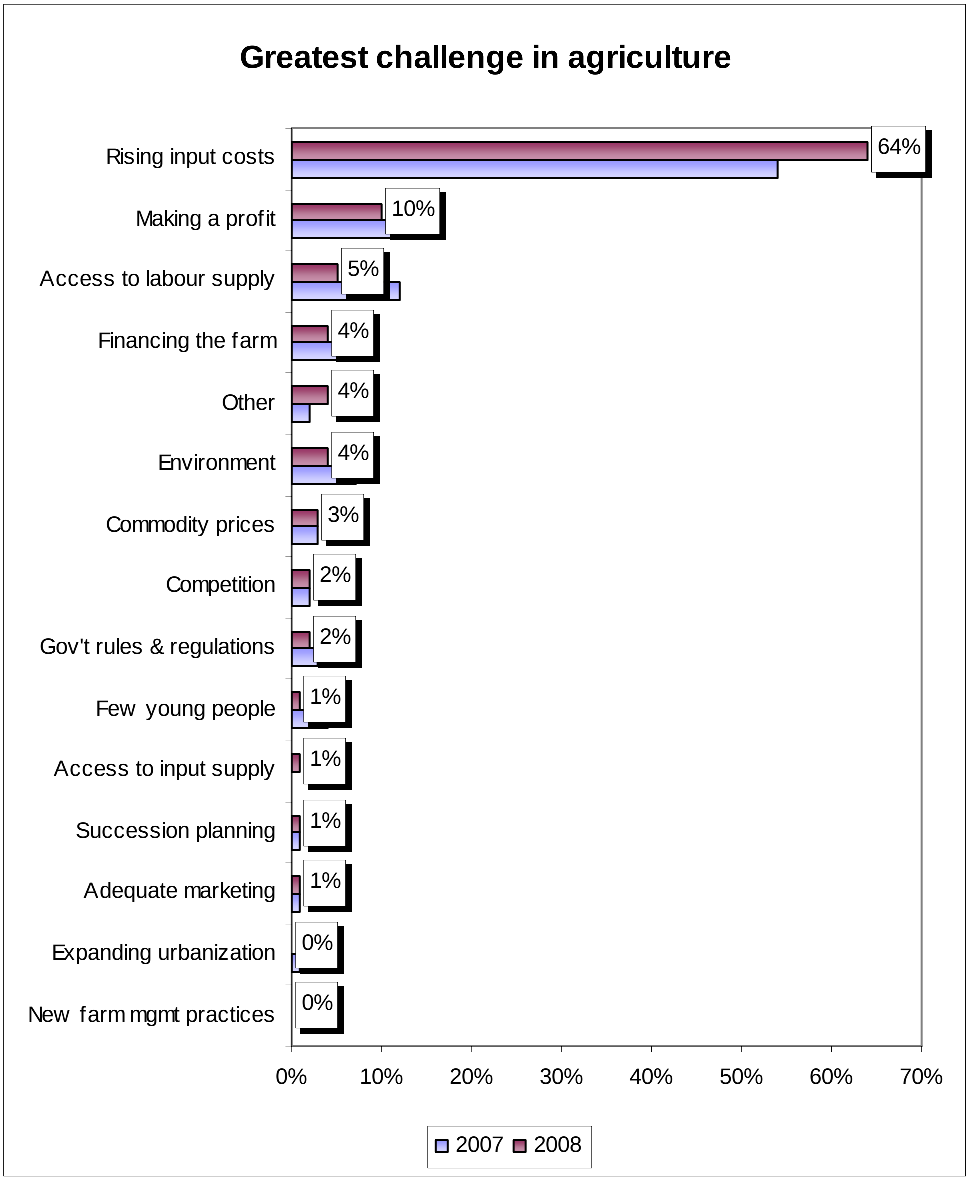
What do you see as the greatest opportunity in agriculture as a whole over the next year? Please select one only. (n = 1289, 2007; n = 1278, 2008)

Results by province: 2008

Crop respondents from Ontario (18%) are significantly more likely to cite ethanol/biofuel production as the greatest opportunity in agriculture compared to crop respondents from Manitoba (12%). Meanwhile, crop respondents from Manitoba (20%) are significantly more likely to cite increase demand for product as the greatest opportunity compared to crop respondents from Ontario (14%). There are no other significant differences to report.

Results: Greatest challenge in agriculture

Crop respondents in 2008 (64%) are significantly more likely to cite rising input costs as the greatest challenge in agriculture compared to crop respondents in 2007 (54%). There are no other significant differences to report.



What do you see as the greatest challenge in agriculture as a whole over the next year? Please select one only. (n = 1289, 2007; n = 1278, 2008)

Results by province: 2008

Crop respondents from Ontario (14%) are significantly more likely to cite making a profit as the greatest challenge in agriculture compared to crop respondents from Manitoba (7%). There are no other significant differences to report.

"It is very hard to predict the future but it will depend on how much our inputs rise. It doesn't matter how much our product rises but on how much our inputs rise to counteract our gain…"

"Increased commodity prices I believe are temporary. Rising costs and inputs are increasing dramatically, faster than prices. Prices have moderated and in some cases are lower but markets are extremely volatile."

"The problem in this industry is that as soon as it looks like the farmer is going to make some money, the chemical, fertilizer and seed companies seem to think they can raise their prices to some ridiculous level and get all the money the producer is making."

"The challenges are that we have no say in what our input costs are, the grain price goes up, so they double or triple fertilizer price. Doesn't make any sense."

"Input costs cannot continue at this high price as our commodity prices have gone down so much. At this time the future looks very difficult. Hopefully things will improve for this great industry. We have so many capable Canadians wanting to take part in the future."

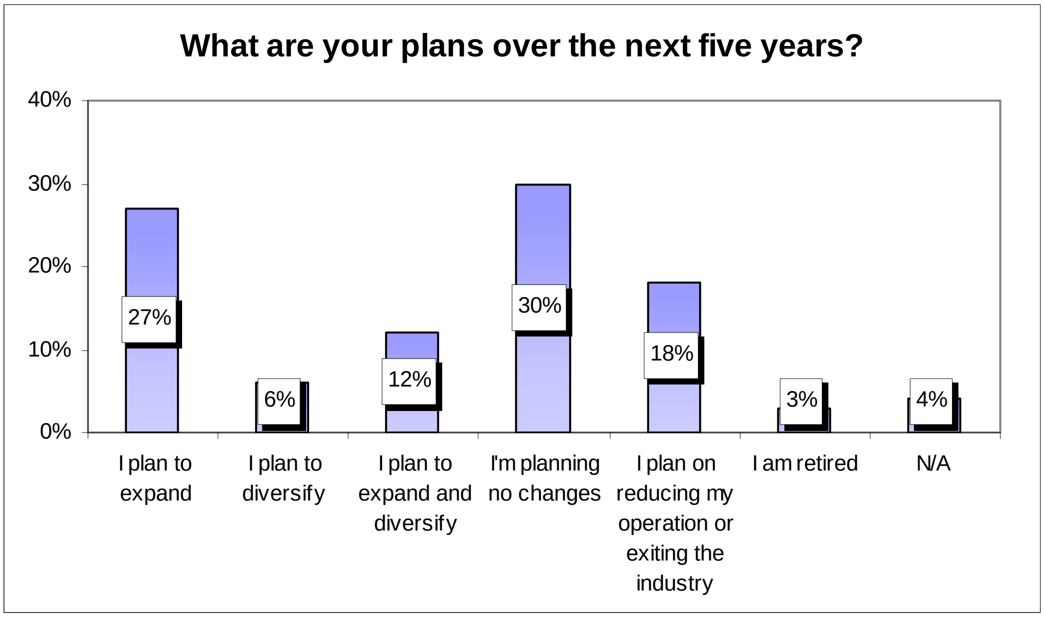
"Many of the answers are good....agriculture is not only a challenge but a war everyday because we depend on the weather and at the mercy of prices, the changes. There are not a lot of people that would want to work these hours and it looks like we talk a lot."

"I believe the greatest challenge is going to be attracting the younger generation to be involved in farming as the business now pays poorly, is demanding in terms of work hours and provides little time off for family and recreation."

"Once a gain getting youth involved I feel is our greatest challenge and in order to do that it has to be profitable."

Results: **Future plans**[1]

One third of respondents from the crop sector (30%) state that they plan on making no changes to their current operations over the next five years, while another quarter of respondents from the crop sector plan to expand their operations (27%). There are no significant differences to report.



Looking ahead, what are your plans for your farm or business over the next five years? (n =1278)

Results by province: 2008

Crop respondents from Manitoba (33%) and Ontario (31%) are significantly more likely to state that they plan to expand their farm or business compared to crop respondents from Saskatchewan (24%). Meanwhile, crop respondents from Saskatchewan (34%) are significantly more likely to state that they plan on making no changes to their farm or business compared to crop respondents from Manitoba (25%). Additionally, crop respondents from Saskatchewan (21%) are significantly more likely to state that they plan on reducing their operation or exiting the industry compared to crop respondents from Ontario (13%). There are no other significant differences to report.

[1] This was a new question added to the 2008 survey, therefore there is no comparison to 2007.