



Vision Research

Optimism in the dairy sector

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Farm Credit Canada
Advancing the business of agriculture

Canada



Vision Research: Optimism in the Dairy sector

Your optimism is strong

Your optimism about the future of agriculture is still strong, and you are the most optimistic among all sectors! Two-thirds of you in 2008 (66%) state that you are optimistic, which remains consistent from 2007 (63%). Seven in ten of you believe that your farm or business is better off now than it was five years ago (70%), and three quarters of you believe that your farm or business will be better off in five years than it is now (78%). Additionally, half (54%) of you 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 the rising input costs, which can have a negative impact on the supply management nature of your business. In 2008 you are significantly more likely cite that rising input costs (57%) is the greatest challenge you are facing, and your comments reveal that you are becoming frustrated that these high costs have not been reflected in the price you receive for your product.

The future is looking bright

Despite the growing challenges that you are facing, your comments suggest that the future is looking bright. Eight in ten of you (80%) would encourage others to enter the industry, more than any other sector! Your line of work involves a large time commitment and can be stressful at times; however you feel that it is a great lifestyle choice and that it is rewarding to know that you are feeding Canada. You are looking forward to the continuation of supply management and the increasing demand for new products. You are resilient, and despite any challenge you might face, your optimism remains unshaken.

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

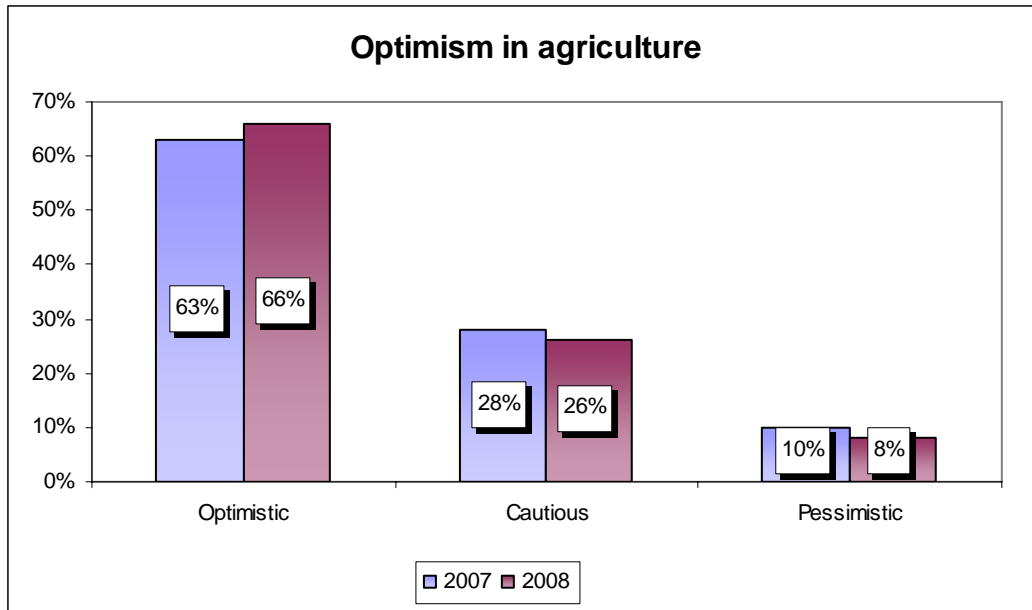
A total of 4308 people out of a possible 9351 responded to the survey for a response rate of 46%. Of the 4308 respondents, 390 indicated dairy as their primary business. The margin of error is +/-1.5%, 19 times out of 20 on a sample of this size. Demographic subgroups will have a higher margin of error.

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

Two-thirds of dairy respondents from 2008 (66%) are optimistic about the future of agriculture in Canada. There are no significant differences to report between the 2007 and 2008 results.



(n = 393, 2007; n = 390, 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.

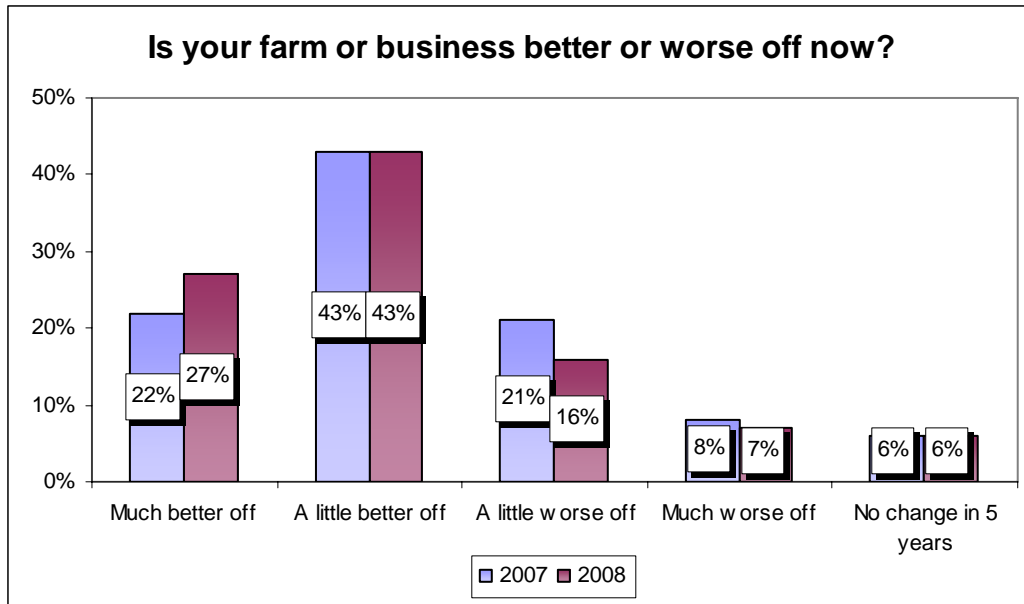
If a respondent reported that they believe their farm or business will be better off **and** they would encourage a career in agriculture, they were defined as optimistic. If a respondent reported that they **either** believe their farm or business will be better off **or** they would encourage a career 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?

More than one quarter of dairy respondents in 2008 (27%) report that their farm or business is much better off now than it was five years ago. There are no significant differences to report between the 2007 and 2008 results.



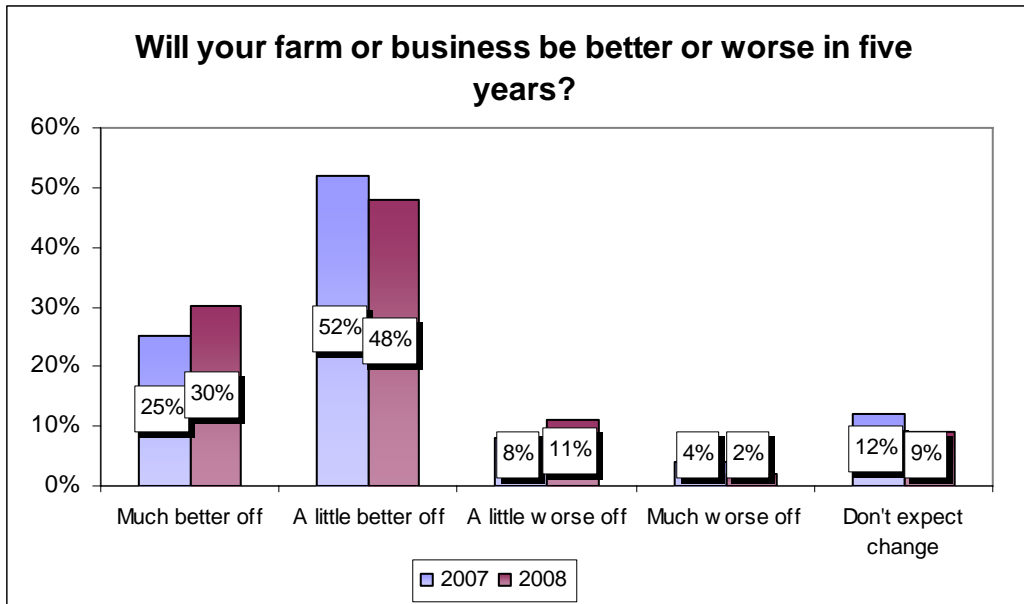
Overall, do you believe that your farm or business is better off or worse off now than it was five years ago?
(n = 393, 2007; n = 390, 2008)

Response by province: 2008

There are no significant differences to report among the provinces.

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

Three in ten dairy respondents (30%) state that they believe their farm or business will be much better off in five years than it is now. There are no significant differences to report between the 2007 and 2008 results.



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 = 393, 2007; n = 390, 2008)

Results by province: 2008

There are no significant differences to report across provinces.

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. Dairy respondents are optimistic but cautious: the most common comment indicates that rising input costs counter optimism (26%) while better financial situations create optimism (15%). A sample of the comments is detailed below.

“While our income has increased somewhat over the past 5 years, it has not kept up with our continuously increasing costs.”

“The start up costs are creeping up too fast compared to previous years.”

“Costs are at an all time high and revenues are not keeping up. Margins are slimmer and slimmer.”

“The rising input costs and the weak price of our products is pushing us to continue to evolve so that we can continue to live and farm.”

“We, the grey heads, are seeing our debt paid down so the farm is showing more profit. Whether we're better off or not will depend on if someone wants to take over the farm.....”

“As we pay down debt we increase cash flow to hopefully contribute to our farms' bottom line & to improve our farm.”

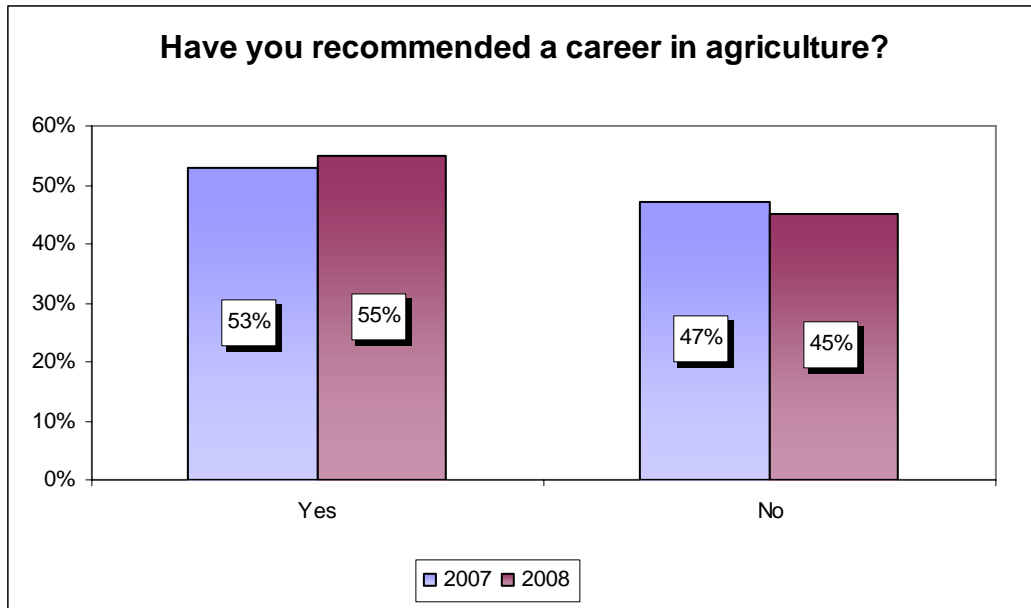
“We just started 5 years ago (dairy operation); our equity was building and expenses were under control. This year, however, with skyrocketing input costs our financial progress will be delayed.”

“Better off because of my management not market conditions.”

“A lot of things are not in your hands. You can only do the best with the info you have at a specific time.”

Results: Have you recommended a career in agriculture?

More than half of all dairy respondents (55%) cite that they have recommended a career in agriculture to a friend or family member over the past year. There are no significant differences to report between the 2007 and 2008 results.



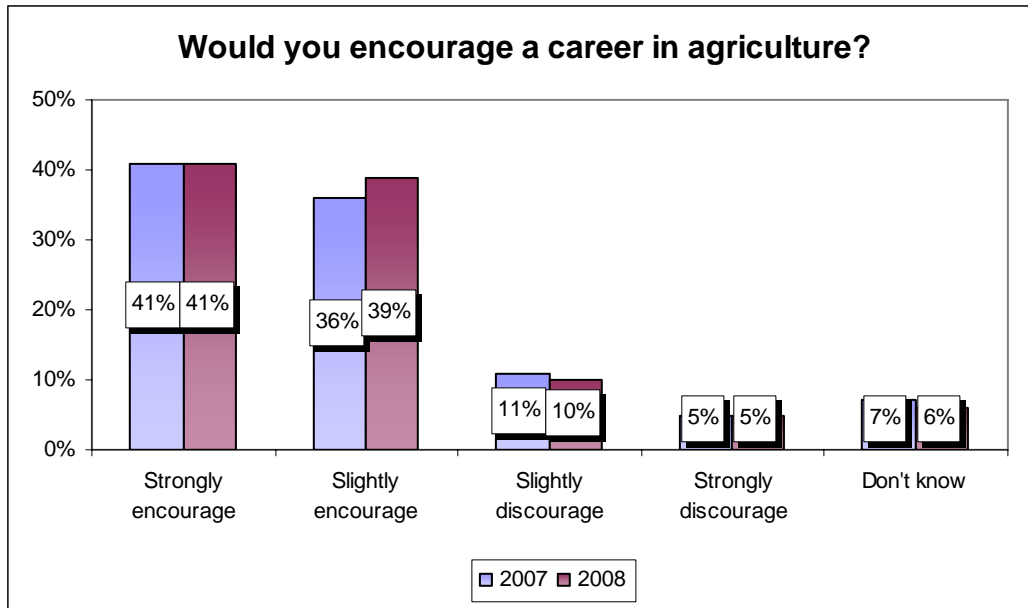
Over the past year, have you recommended a career in agriculture or an agricultural related field to a friend or family member? (n = 393, 2007; n = 390, 2008)

Results by province: 2008

There are no significant differences to report across provinces.

Results: Would you encourage a career in agriculture?

Four in ten dairy respondents (41%) report that they would encourage a friend or family member to enter agriculture. There are no significant differences to report between the 2007 and 2008 results.



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 = 393, 2007; n = 390, 2008)

Results by province: 2008

Dairy respondents from Québec (48%) are significantly more likely to cite that they would strongly encourage a friend or family member to enter agriculture compared to dairy respondents from Ontario (32%). There are no other significant differences to report.

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

Dairy respondents continue to recommend careers in agriculture to friends or family members, and we asked respondents to explain their responses. Respondents from the dairy sector explained that agriculture is a good lifestyle choice (17%) but it is also demanding (13%). A sample of the comments is detailed below.

“Because the world needs food, and for someone independent and willing to work it is a great way to work together as a family.”

“A good, honest, satisfying way of making a living.”

“I enjoy planning the daily events and working with my family to achieve them. Agriculture is still an occupation in which one can work with family, neighbors and friends.”

“Even if we have to work more in agriculture, it is still the best job to have when raising a family.”

“I would encourage it because it's the best job in the whole world and I would discourage it because it's 7 on 7, 24 hours a day and we are the first to blame when it comes to environmental or food intoxication.”

“It may be the best lifestyle, but it also is a huge commitment on anyone's part. If you want to really succeed there is no halfway. It's all or nothing.”

“It is the best job in the world. We will always need food. I find it marvelous that one starts with but a grain, a young cow that will one day become a good dairy producer. We are the [center] of the world.”

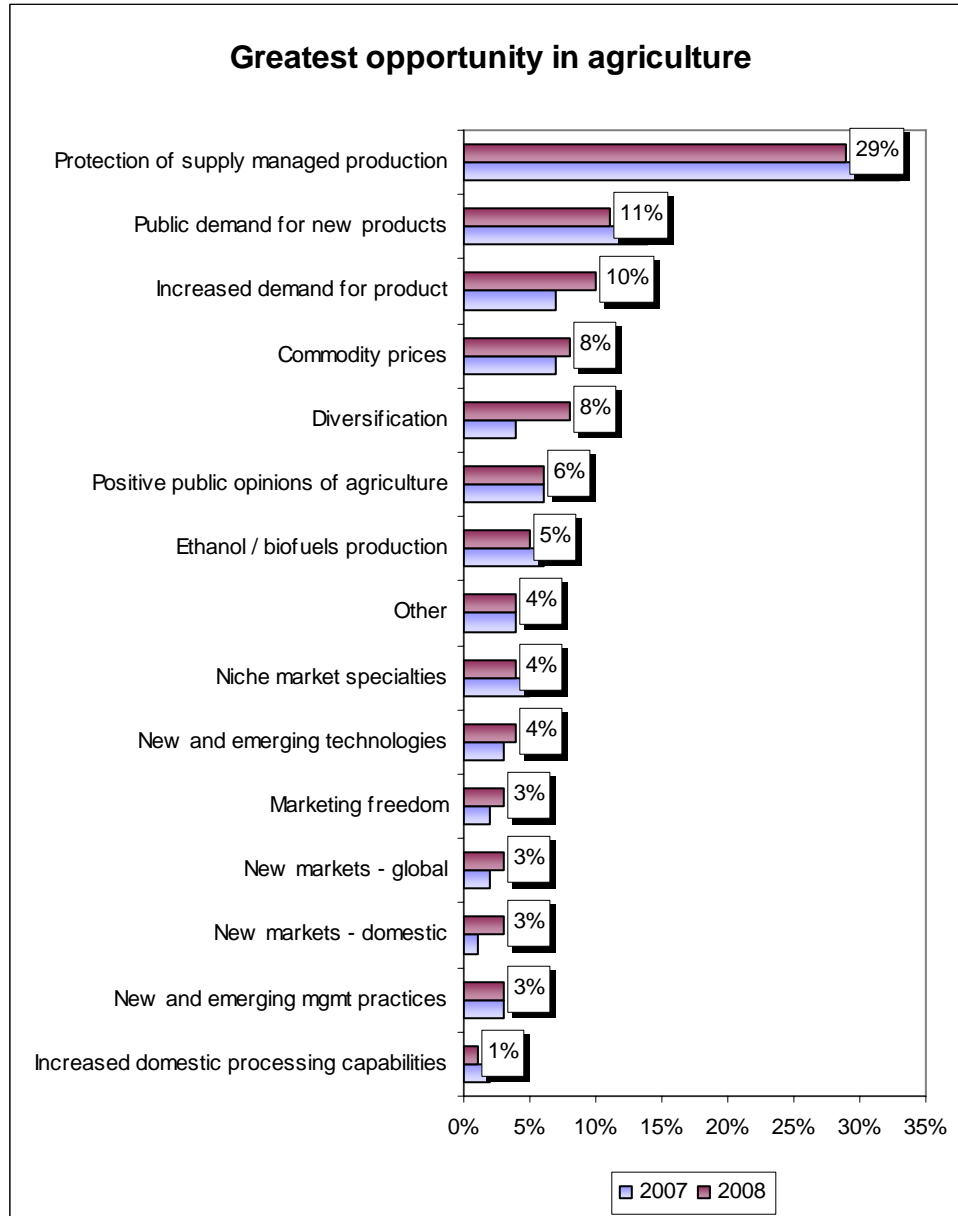
“I would strongly suggest it even though we have to get up really early in the morning and have to work 365 days out of the year - the fact that we get to work with animals, nature, be our own boss, new challenges and new projects but also being owner of a business.”

“The hours, time and stress factors are too much. Not much time available for family. It is hard to find anyone to hire to help work. The way things seem to be heading, it is not something we would want to see our children doing.”

“Work is extremely hard compared to other jobs. Longer hours & less take home pay. We buy retail & sell wholesale & keep everyone else including financial institutions in business.”

Results: Greatest opportunity in agriculture

From 2007 to 2008 respondents in the dairy sector continue to see many of the same opportunities in agriculture. In 2008 nearly three in ten dairy respondents (29%) state that the greatest opportunity is in the protection of supply managed production, followed by public demand for new products (11%). There are no significant differences to report between the 2007 and 2008 results.



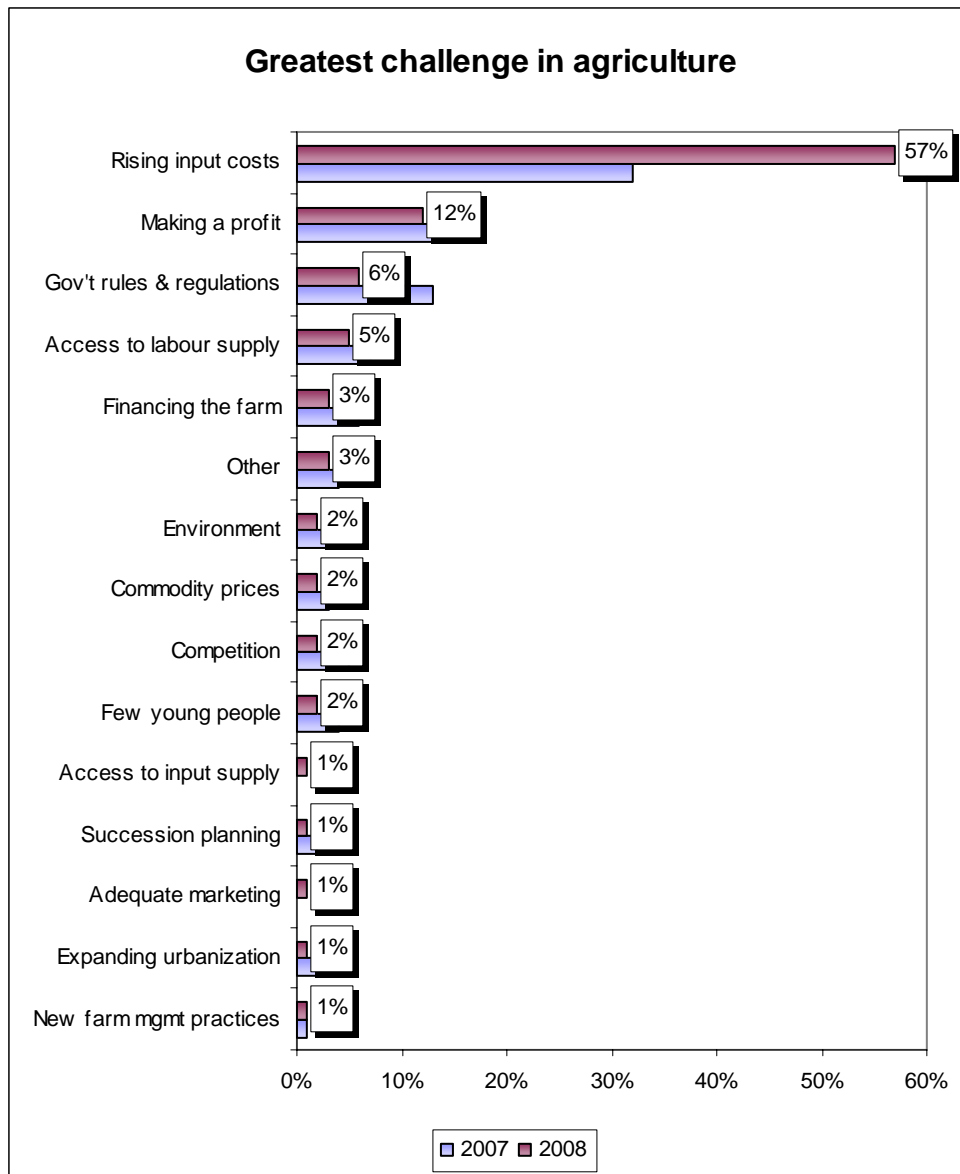
What do you see as the greatest opportunity in agriculture as a whole over the next year? Please select one only.
(n = 393, 2007; n = 390, 2008)

Results by province: 2008

There are no significant differences to report across provinces.

Results: Greatest challenge in agriculture

Dairy respondents in 2008 (57%) are significantly more likely to cite rising input costs as the greatest challenge in agriculture compared to dairy respondents in 2007 (32%). There are no other significant differences.



What do you see as the greatest challenge in agriculture as a whole over the next year? Please select one only.
(n = 393, 2007; n = 390, 2008)

Results by province: 2008

There are no significant differences to report across provinces.

“Rising input costs rarely keep pace with a rising return. However when more and more problems arise with imported food product from places like China, local food will take on a far greater importance.”

“The challenge would be to control input costs and remain profitable. There will be no opportunities in agriculture until the world financial situation gets settled.”

“Challenges such as rising inputs, export restrictions (COOL etc) and all that paperwork and red tape really squeeze farmers everyday.”

“Some major concerns and challenges I see in agriculture is the decrease of young people on the farm. The opportunity for young people to succeed in agriculture is great but many don't like dealing with all the unknowns and ups and downs of farming.”

“Local. Local. Local. Seems to be quite a craze which will provide great opportunities. The public is turning away from foreign products and buying where they know who's producing their food....”

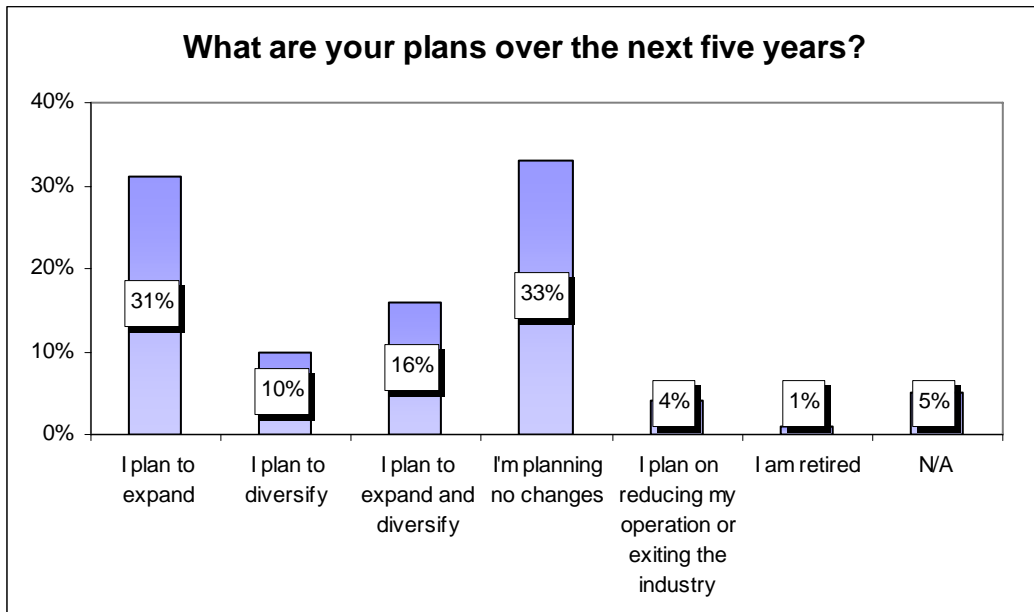
“Farmers must become innovative in finding ways to improve the bottom line. Public perception of agriculture is also an opportunity for us.”

“Rising input costs without doubt, the biggest challenge. Those of us in supply manage sectors of agriculture are no different than regular consumers in that we cannot pass on increased costs. We can only spend wisely.”

“I am very concerned with rising input costs and sharing margins, as I see lots of farms in hard times. While opportunities do exist, I don't feel that the majority of farm owners have the necessary skill set to get out of the commodity market.”

Results: Future plans¹

One third of respondents from the dairy sector (33%) state that they plan on making no changes to their current operations over the next five years, while another one third of respondents from the dairy sector plan to expand their operations (31%). There are no significant differences to report.



Looking ahead, what are your plans for your farm or business over the next five years? (n =390)

Results by province: 2008

Dairy respondents from Québec (43%) are significantly more likely to indicate that they plan on making no changes to their operation compared to dairy respondents from Ontario (30%). 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.