



Vision Research

Optimism in the hog sector

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09-041-037-27 E 01/20/09 AS



Farm Credit Canada
Advancing the business of agriculture

Canada



Vision Research: Optimism in the Hog sector

You remain optimistic

From 2007 to 2008, your level of optimism remains unchanged and just over half of you (51%) remain optimistic about the future of agriculture. More than one third of you (36%) believe that your farm or business is better off now than it was five years ago. When asked to predict the status of your farm or business in five years, seven in ten of you (71%) believe your farm or business will be better off. In 2008, thirty two per cent of you are significantly more willing to recommend a career in agriculture to a friend or family member than in 2007 (24%).

You are still facing challenges

With the recent economic activity that has developed over the past year, there are many challenges facing the agriculture industry. Your comments indicate that you are primarily concerned with the rising input costs and the inability to generate a profit. You also explained that your level of optimism is largely dependent on pork prices and the economic state of the USA.

You are resilient

Although there are challenges, nearly half of you (47%) are planning to expand and/or diversify your farm or business over the next five years, and four in ten of you (39%) are planning no changes to your farm or business. The majority of you (63%) would encourage friends and family to embark in an agriculture related career, citing that there are lots of opportunities in agriculture and that it is a good lifestyle. You realize that there is financial risk involved with this type of career; however you see opportunity in diversifying your operation.

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

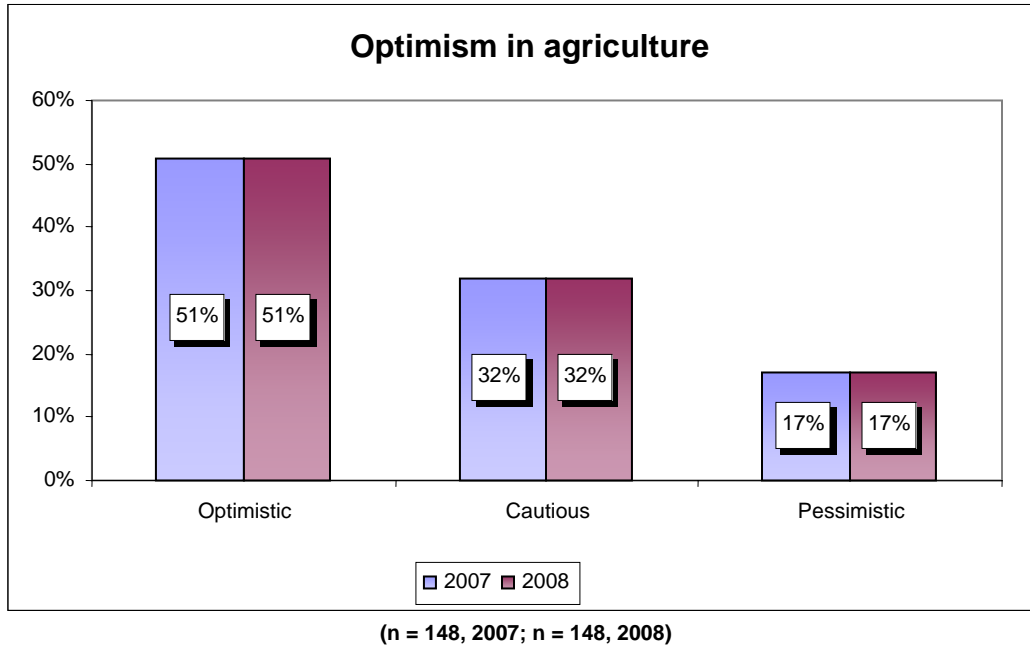
A total of 4308 people out of a possible 9351 responded to the survey for a response rate of 46%. Of the 4308 respondents, 148 indicated hog as their primary business. The margin of error is +/-1.5%, 19 times out of 20 on a sample of this size. Demographic subgroups will have a higher margin of error.

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

From 2007 to 2008, respondents in the hog sector continue to have the same levels of optimism in agriculture. The majority of respondents are optimistic (51%) compared to the percentage of respondents who remain cautiously optimistic (32%) and pessimistic (17%). There are no significant differences to report between the 2007 and 2008 results.



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.

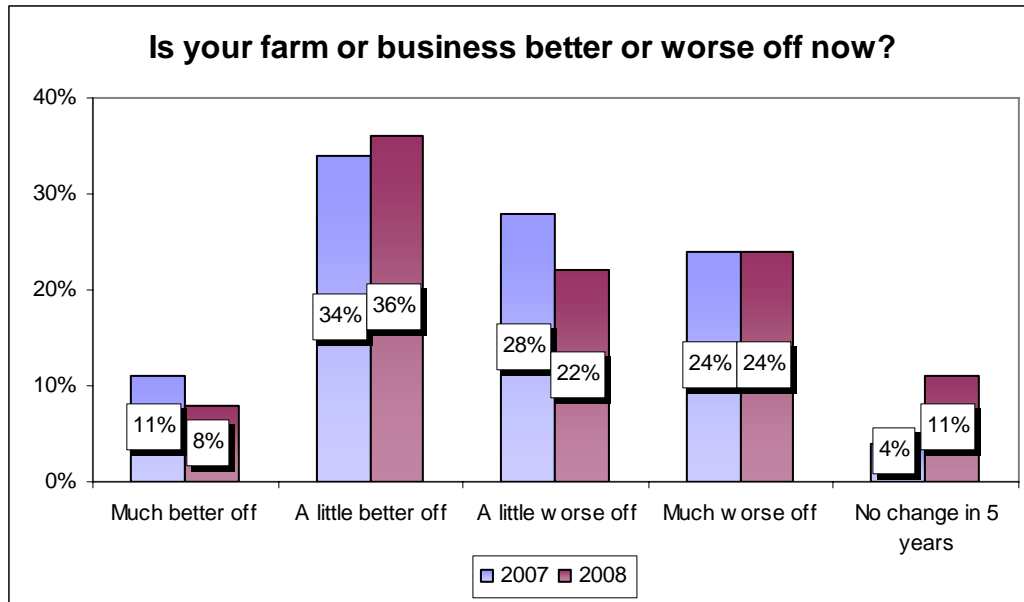
If a respondent reported that they believe their farm or business will be better off **and** they would encourage a career in agriculture, they were defined as optimistic. If a respondent reported that they **either** believe their farm or business will be better off **or** they would encourage a career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

Almost four in ten hog respondents in 2008 (36%) report that their farm or business is a little better off now than it was five years ago. There are no significant differences to report between the 2007 and 2008 results.



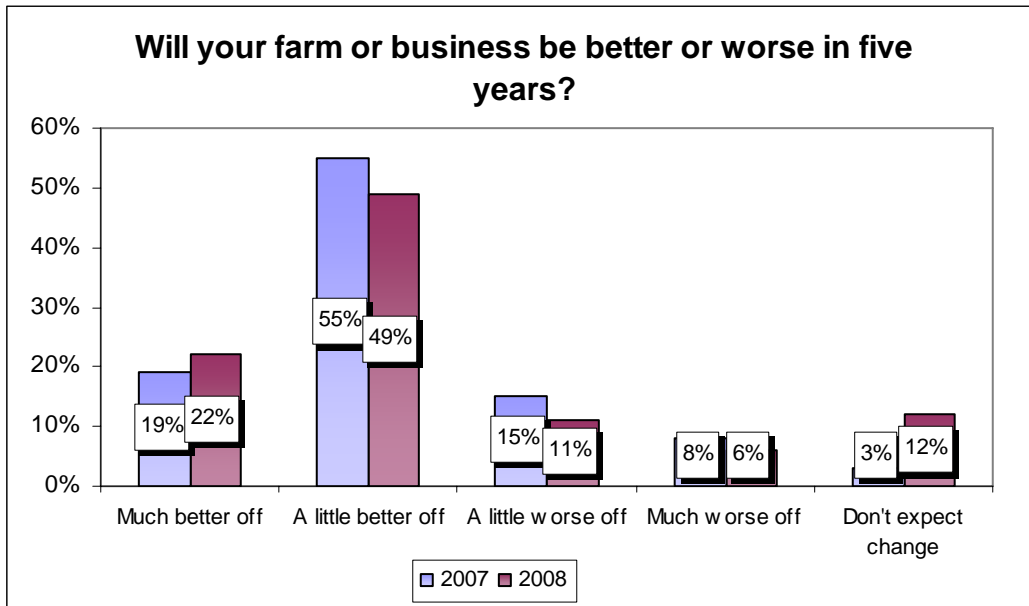
Overall, do you believe that your farm or business is better off or worse off now than it was five years ago?
(n = 148, 2007; n = 148, 2008)

Response by province: 2008

There are no significant differences to report across provinces.

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

In 2008, hog respondents (12%) are significantly more likely to believe their farm or business will not change within the next five years compared to the hog respondents from 2007 (3%). There are no other 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 = 148, 2007; n = 148, 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. Due to the small sample size of hog respondents to this survey, responses varied widely. Common themes countering hog respondents' optimism include rising input costs and reliance on outside factors (weather and markets). A sample of the comments is detailed below.

"We are in the hog business and things are not looking good for the future. Low prices and high inputs are killing us."

"We are pork producers. The last few years have been difficult because our pricing is US based and the exchange rate has negatively influenced our net returns dramatically."

"Optimistic that market conditions will improve next year."

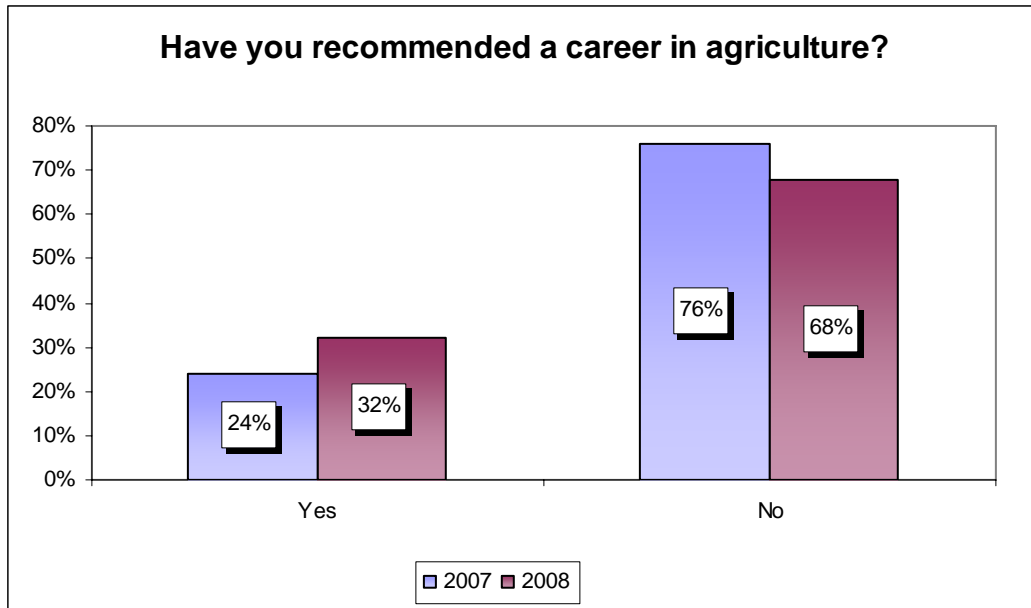
"It all depends on the price of pork."

"We have been losing ground very quickly in the hog industry. The turn around always seems two quarters away. We've been hammered by broken contracts, business partners going bankrupt, high weanling deductions, and market uncertainties due to COOL."

"We have new opportunities for growth/profit. More land to rent has come available so that we can grow all our feed requirements. We have second generation input that helps us to diversify somewhat and market better."

Results: Have you recommended a career in agriculture?

In 2008, one third of hog respondents (32%) report that they have recommended a career in agriculture or an agricultural related field to a friend or relative in the past year. There are no significant differences to report between the 2007 and 2008 results.



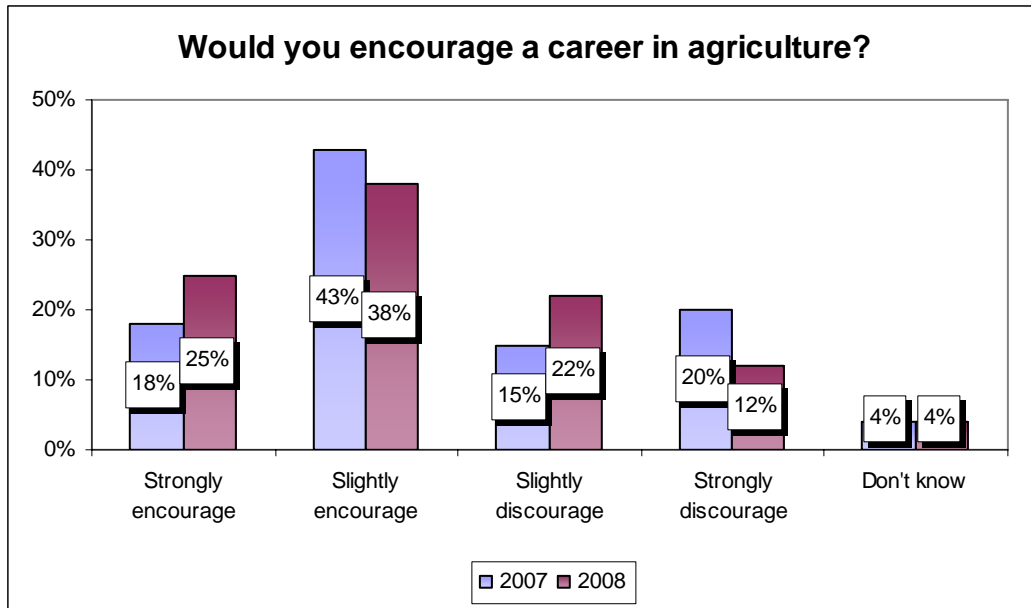
Over the past year, have you recommended a career in agriculture or an agricultural related field to a friend or family member? (n = 148, 2007; n = 148, 2008)

Results by province: 2008

There are no significant differences to report across provinces.

Results: Would you encourage a career in agriculture?

Hog respondents in 2008 (38%) state they would slightly encourage a friend or family member to consider a career in agriculture or an agricultural related field. 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 = 148, 2007; n = 148, 2008)

Results by province: 2008

There are no significant differences to report across provinces.

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

Hog respondents continue to recommend a career in agriculture to friends and family. Responses to this survey varied due to the small sample size of hog respondents. Some general themes from the responses include that there are lots of opportunities in agriculture and that it is a good lifestyle; however hog respondents reported that agriculture is a demanding career and can result in low financial returns for your efforts. A sample of the comments is detailed below.

"I think agriculture is a great job. There are negative sides and positive. In agriculture you learn something new everyday and it's not always the same routine."

"There are many, many options in an agricultural related field. May not always be financially rewarding but is a rewarding career."

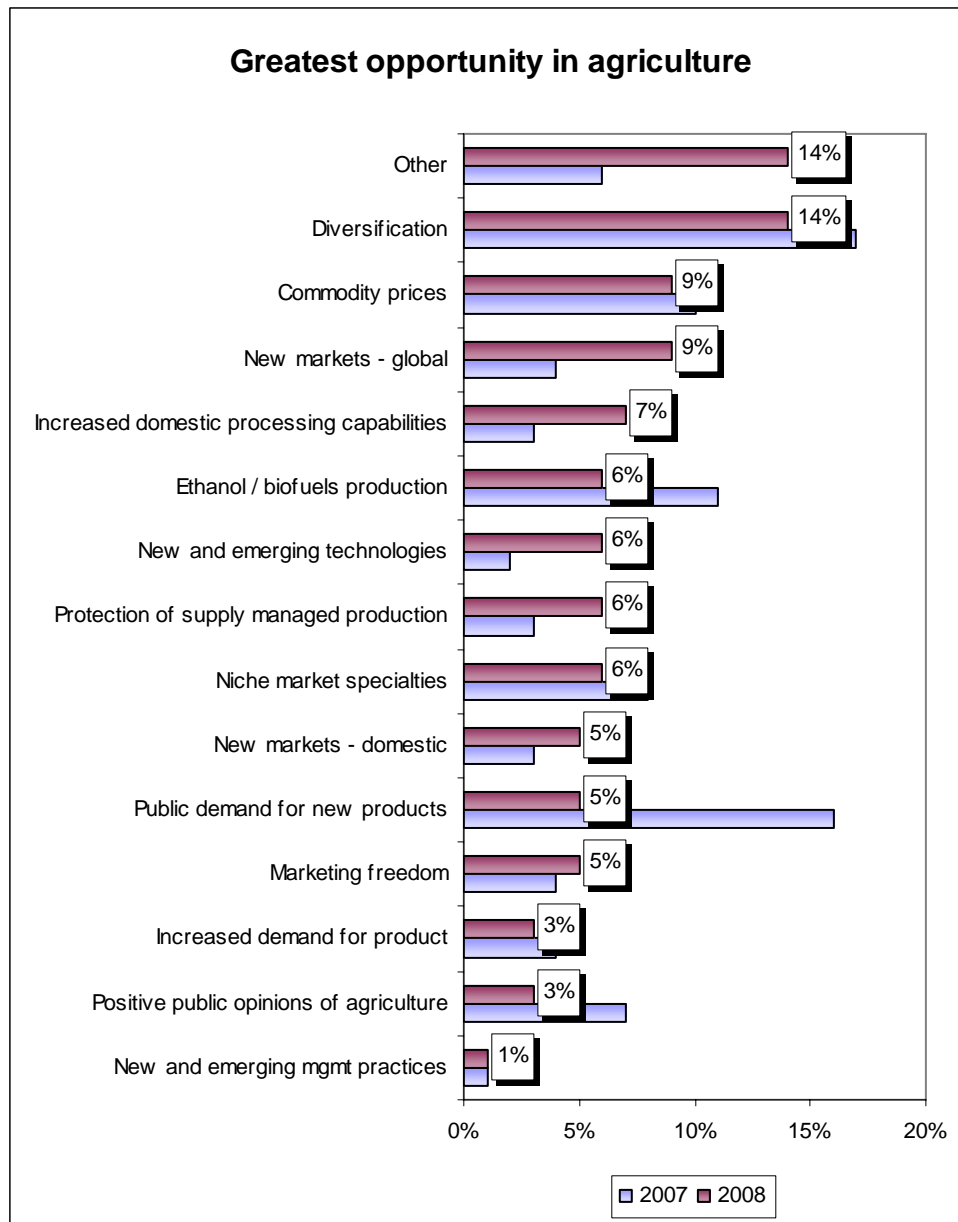
"A lot of hard work for very little pay."

"There is little financial reward compared to the huge risks that have to be taken."

"I encourage them because farming is a good life. Too bad the entry fee is so high."

Results: Greatest opportunity in agriculture

In 2008, respondents in the hog sector (5%) are significantly *less* likely to consider public demand for new products as the greatest opportunity in agriculture compared to hog respondents in 2007 (16%). There are no other significant differences to report.



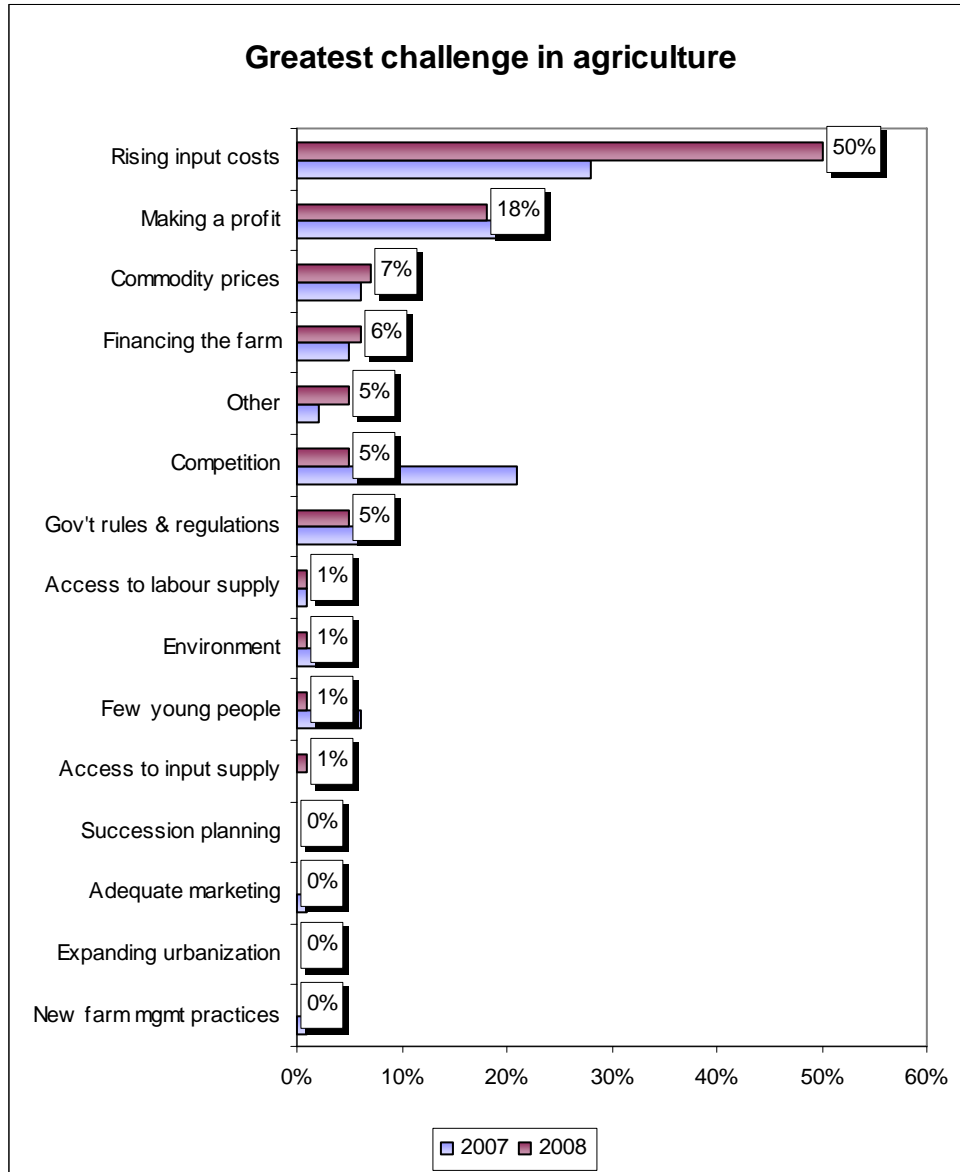
What do you see as the greatest opportunity in agriculture as a whole over the next year? Please select one only. (n = 148, 2007; n = 148, 2008)

Results by province: 2008

There are no significant differences to report across provinces.

Results: Greatest challenge in agriculture

Hog sector respondents in 2008 (50%) are significantly more likely to cite rising input costs as the greatest challenge in agriculture compared to hog respondents in 2007 (28%). In 2008, hog respondents (5%) are significantly **less** likely to report competition as the greatest challenge in agriculture compared to hog respondents in the 2007 survey (21%). 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 = 148, 2007; n = 148, 2008)

Results by province: 2008

There are no significant differences to report across provinces.

"I see the year ahead to be a year of transition in most agricultural commodities. The effects of rising input costs, especially in the livestock sector, [prove] to be a huge challenge. The continuous drive for biofuels is draining on these sectors."

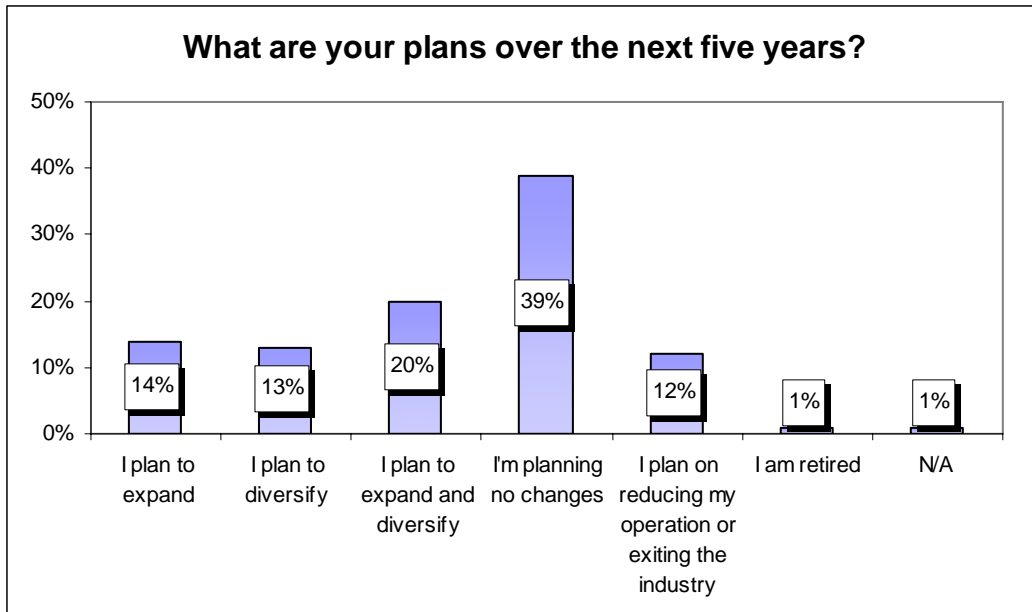
"Rising Costs and competition from large producers will make very hard for new and young people to get involved in agriculture. Opportunities will be in organic and home grown markets."

"Challenges - hogs and beef are not marketed properly to cover the rising input costs - our boards aren't doing their jobs."

"The opportunities will exist if the operation is diversified. The challenge will be to make a profit if inputs continue to rise and the commodities continue to fall. On my own operation, the hog manure is used to combat the rising fertilizer prices."

Results: Future plans¹

Four in ten hog respondents (39%) state that they plan on making no changes to their current operations over the next five years. There are no significant differences to report.



Looking ahead, what are your plans for your farm or business over the next five years? (n = 148)

Results by province: 2008

There are no significant differences to report across provinces.

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