

# Resource Dependency of Farmers

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The agriculture and agri-food system plays an important role in the Canadian and provincial economies, providing one in eight jobs and accounting for 8.3% of total Gross Domestic Product (GDP) in 2003.

Changing demands of consumers, at home and abroad, are influencing changes throughout the whole agriculture and agri-food system. Consumers are demanding more variety, more convenience and healthier food choices, accompanied by proper assurances of quality and safety. But Canadians still enjoy some of the lowest cost food in the world with food and non-alcoholic beverages purchased from stores accounting for only a 10% share of household expenditures.

Each stage of the system is becoming more consolidated and larger in scale of operation. The five largest food retailers in Canada account for about 60% of national grocery sales, up from 50% a decade ago. Large food processing establishments comprise only 5% of the total number of establishments but account for half of the value of processed shipments. While only one-third of census farms have sales over \$100,000, these farms account for nearly 90% of all farm production.

Because agriculture producers differ widely in terms of commodity specialization, scale of operation, motivation for farming and financial performance, the income impact of this year will vary by individual producers. In general top performers tend to have better cost control which, along with government program funding, will help them weather the financial difficulties.

For the most part, Canadian primary agriculture producers are less dependent on policy support, as measured by the Producer Support Estimate (PSE), than European producers. In 2004, the PSE for Canada was 21% of adjusted value of production, a little above the U.S. PSE at 18%, but still well below the EU(15) PSE at 34%.